STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC. ("VECTREN SOUTH-GAS") FOR (1) AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR GAS UTILITY SERVICE; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES APPLICABLE THERETO; (3) AUTHORITY, TO THE EXTENT NECESSARY AS AN ALTERNATIVE REGULATORY PLAN, TO RECOVER ITS UNACCOUNTED FOR GAS COSTS AND THE GAS COST COMPONENT OF ITS BAD DEBT EXPENSE IN ITS GAS COST ADJUSTMENT FILINGS; (4) APPROVAL OF A DISTRIBUTION REPLACEMENT ADJUSTMENT TO RECOVER THE COSTS OF A PROGRAM FOR THE ACCELERATED REPLACEMENT OF CAST IRON MAINS AND BARE STEEL MAINS AND SERVICE LINES; (5) APPROVAL OF THE IMPLEMENTATION OF THE SALES RECONCILIATION COMPONENT OF THE ENERGY EFFICIENCY RIDER PROPOSED IN CAUSE NOS. 42943 AND 43046 OR OTHER RATE DESIGN CHANGES THAT UNLINK ITS FIXED COST RECOVERY FROM ITS SALES VOLUME; (6) APPROVAL AS AN ALTERNATIVE REGULATORY PLAN PURSUANT TO IND. CODE § 8-1-2.5-6 OF A RETURN ON EQUITY TEST TO BE USED IN LIEU OF THE STATUTORY NET OPERATING INCOME TEST IN ITS GAS COST ADJUSTMENT PROCEEDINGS; (7) AUTHORITY PURSUANT TO 170 IAC 5-1-27(F) FOR A NON-GAS COST REVENUE TEST TO DETERMINE WHEN DEPOSITS ARE REQUIRED FOR FACILITIES EXTENSIONS; AND (8) APPROVAL OF VARIOUS CHANGES TO ITS TARIFF FOR GAS SERVICE, INCLUDING INCREASES IN CERTAIN NON-RECURRING CHARGES.	)	CAUSE NO. 43112

Prepared Direct Testimony and Exhibits
of
SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
D/B/A VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN SOUTH – GAS)

Book 3 of 3

KA Heid, SE Albertson, MS Hardwick

September 15, 2006

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

PETITION OF SOUTHERN INDIANA GAS AND ELECTRIC COMPANY d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC. ("VECTREN SOUTH-GAS") FOR (1) AUTHORITY TO INCREASE ITS RATES AND CHARGES FOR GAS UTILITY SERVICE; (2) APPROVAL OF NEW SCHEDULES OF RATES AND CHARGES APPLICABLE THERETO; (3) AUTHORITY, TO THE EXTENT NECESSARY AS AN ALTERNATIVE REGULATORY PLAN, TO RECOVER ITS UNACCOUNTED FOR GAS COSTS AND THE GAS COST COMPONENT OF ITS BAD DEBT EXPENSE IN ITS GAS COST ADJUSTMENT FILINGS; (4) APPROVAL OF A DISTRIBUTION REPLACEMENT ADJUSTMENT TO RECOVER THE COSTS OF A PROGRAM FOR THE ACCELERATED REPLACEMENT OF CAST IRON MAINS AND BARE STEEL MAINS AND SERVICE LINES; (5) APPROVAL OF THE IMPLEMENTATION OF THE SALES RECONCILIATION COMPONENT OF THE ENERGY EFFICIENCY RIDER PROPOSED IN CAUSE NOS. 42943 AND 43046 OR OTHER RATE DESIGN CHANGES THAT UNLINK ITS FIXED COST RECOVERY FROM ITS SALES VOLUME; (6) APPROVAL AS AN ALTERNATIVE REGULATORY PLAN PURSUANT TO IND. CODE § 8-1-2.5-6 OF A RETURN ON EQUITY TEST TO BE USED IN LIEU OF THE STATUTORY NET OPERATING INCOME TEST IN ITS GAS COST ADJUSTMENT PROCEEDINGS; (7) AUTHORITY PURSUANT TO 170 IAC 5-1-27(F) FOR A NON-GAS COST REVENUE TEST TO DETERMINE WHEN DEPOSITS ARE REQUIRED FOR FACILITIES EXTENSIONS; AND (8) APPROVAL OF VARIOUS CHANGES TO ITS TARIFF FOR GAS SERVICE, INCLUDING INCREASES IN CERTAIN NON-RECURRING CHARGES.	)	FILED SEP 15 2006 INDIANA UTILITY REGULATORY COMMISSION CAUSE NO. 43112

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Book 3 of 3

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September 15, 2006

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SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
***d/b/a/* VECTEN ENERGY DELIVERY OF INDIANA, INC.**
(VECTREN SOUTH – GAS)

IURC CAUSE NO. 43112

DIRECT TESTIMONY
OF
KERRY A. HEID

ON
COST OF SERVICE STUDY AND RATE DESIGN

SPONSORING PETITIONER'S EXHIBITS NOS. KAH-1 THROUGH KAH-8

DIRECT TESTIMONY OF KERRY A. HEID

I. INTRODUCTION AND OVERVIEW

Q. Please state your name and business address.

A. My name is Kerry A. Heid. My address is 3212 Brookfield Drive, Newburgh, IN 47630.

Q. What is your occupation?

A. I am an independent rate consultant. I have been engaged by Petitioner, Vectren South, Inc. d/b/a/ Vectren Energy Delivery of Indiana, Inc. – South ("Vectren South"), to prepare a cost of service study and recommend a rate design in this proceeding.

Q. What is your educational background?

A. In 1973 I graduated from Purdue University with a Bachelor of Science degree in Civil Engineering. In 1985 I graduated from Indiana University with a Master of Business Administration degree, majoring in Finance.

Q. Please describe your business experience.

A. In May 1989 I was employed by Indiana Gas Company, Inc. as Manager of Rates. In October 1992 I was promoted to Director of Rates for Indiana Gas Company. In April 2000 I became Director of Rates and Regulation with Vectren Energy, formed by the merger of Indiana Energy, Inc. (parent of Indiana Gas Company) and SIGCORP, Inc. (parent of Southern Indiana Gas & Electric Company). Prior to my employment with Vectren South, I was employed for seven years by the Indiana Utility Regulatory Commission and its predecessor, the Public Service Commission of Indiana, where I held positions in the Engineering Division and as Special Projects Analyst/Assistant to the Director of Utilities. I was also previously employed in the Management Services Division of Black & Veatch Consulting Engineers and in the Finance Department of Florida

Power and Light Company. In May 2002 I resigned my position with Vectren Energy to become an independent rate consultant.

Q. Do you hold any professional accreditations?

A. Yes. I have been a registered Professional Engineer in the State of Indiana since 1977.

Q. Have you previously testified before this Commission?

A. Yes. I have testified on numerous occasions before this Commission on cost-of-service, rate design and other matters.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to present evidence on Vectren South's:
(1) cost of service study;
(2) proposed revenue distribution among rate schedules;
(3) proposed rate design; and
(4) proposed increase in certain non-recurring charges.

Q. How is your testimony organized?

A. My testimony is organized into the following sections:

I. Introduction and Overview
II. Cost of Service Study
III. Proposed Revenue Allocation Among Rate Schedules
IV. Proposed Rate Design
V. Revisions to Non-Recurring Charges

Q. What exhibits are you sponsoring in this proceeding?

A. I am sponsoring the following exhibits:

KAH-1		Prefiled Direct Testimony of Kerry A. Heid
KAH-2		Cost of Service Study
	Sch. 1	Table of Allocation Factors
	Sch. 2	Allocation of Rate Base
	Sch. 3	Allocation of Depreciation and Amortization Expenses

Sch. 4	Allocation of Operation and Maintenance Expenses
Sch. 5	Allocation of Miscellaneous Revenues
Sch. 6	Calculation of Income Taxes and State Utility Receipts Taxes
Sch. 7	Summary of Cost of Service Study Results
KAH-3, Sch. 1	Statement of Operating Income Based Upon Proforma A[1] at Present Rates of Return
Sch. 2	Statement of Operating Income Based Upon Proforma A at Equal Rates of Return
Sch. 3	Statement of Operating Income Based Upon Proforma B at Equal Rates of Return
Sch. 4	Statement of Operating Income Based Upon Proforma B at Proposed Rates of Return
KAH-4, Sch. 1	Comparison of Proforma Operating Revenues and Resulting Dollar Subsidy Levels at Present and Proposed Rates
Sch. 2	Comparison of Earnings Indices at Present and Proposed Rates
KAH-5	Summary of Comparison of Proforma Revenues from Gas Sales at Present and Proposed Rates
KAH-6, Sch. 1	Bill Impacts for Residential Sales Service-Rate 110
Sch. 2	Bill Impact for Average Residential Customer
Sch. 3	Bill Impacts for Gen. Sales Service-Rate 120 (Group 1)
Sch. 4	Bill Impacts for Gen. Sales Service-Rate 120 (Group 2)
Sch. 5	Bill Impacts for Gen. Sales Service-Rate 120 (Group 3)
Sch. 6	Bill Impacts for Gen. Transport Service-Rate 145 (Group 1)
Sch. 7	Bill Impacts for Gen. Transport Service-Rate 145 (Group 2)
Sch. 8	Bill Impacts for Gen. Transport Service-Rate 145 (Group 3)

[1] The designation "Proforma A" represents results at present revenue levels, whereas the designation "Proforma B" represents results at proposed revenue levels.

	Sch. 9	Bill Impacts for Large Volume Transportation Service-Rate 160
	Sch. 10	Bill Impacts for Contract Transportation Service-Rate 170
KAH-7,	Sch. 1	Revenue Proof at Present and Proposed Rates
	Sch. 2	Revenue Proof Comparing Proposed Revenues to Allocated Costs
KAH-8,	Sch. 1	Cost Justification for Increase in Reconnect Charge
	Sch. 2	Cost Justification for Increase in Non-Sufficient Funds Charge
	Sch. 3	Cost Justification for Increase in After Hours Charge
	Sch. 4	Cost Justification for Diversion Charge

II. COST OF SERVICE STUDY

Q. Please provide an overview of your testimony as it relates to your cost of service study.

A. The purpose of my testimony is to sponsor a fully allocated cost of service study based on Vectren South's embedded cost of providing gas service. Working with Vectren South's management, accounting and rate staffs, I prepared an embedded cost of service study based on Vectren South's accounting costs per books, adjusted for known and measurable changes to test year operating results, for the twelve months ended March 31, 2006. The cost of service study corresponds to the proforma financial exhibits included in the exhibits of Vectren South's witness M. Susan Hardwick, Petitioner's Exhibit No. MSH-2. My objective in performing the cost of service study was to determine the rate of return on rate base that Vectren South is earning from each rate schedule, which provides an indication as to whether its rates reflect the cost of providing service to each rate schedule.

Q. Explain the composition of the cost of service study.

A. The study consists of two parts. First, the investment required to serve each rate schedule was determined. This was done by allocating total original cost utility rate base at March 31, 2006, as adjusted, among the rate schedules based on various assignment and allocation methods. Second, the operating expenses incurred in providing service to each rate schedule were determined. This was done by allocating the proforma costs of providing gas service, as determined on a going level basis at present and proposed rates, among the rate schedules based on various assignment and allocation methods.

Q. Where did you obtain the data used to perform the cost of service study?

A. Investment cost data was taken from detailed accounting information, which formed the basis for the utility rate base shown in Petitioners' Exhibit No. MSH-3, Adjustment A41, Page 2 of 3, sponsored by Vectren South's witness Hardwick. The cost of service data was obtained from accounting information which formed the basis for the Proforma Statement of Operating Income shown in Petitioners' Exhibit No. MSH-2 sponsored by Vectren South's witness Hardwick. Data used to derive allocation factors in the allocation of rate base and cost of service came from various sources, including special studies, Vectren South's books and records, and from previously allocated items.

Q. Please describe in general the assignment and allocation processes used in the cost of service study.

A. The various costs or investments were assigned directly to the rate schedules in those instances where direct assignment was possible. Direct assignments were based on specific details as recorded in Vectren South's books and records or were based on special studies performed by me or under my direct supervision. Where direct assignment was not possible, the investment or cost was allocated to the rate schedules using the most appropriate method considering the type of investment or cost involved. For example, investment and cost items were identified as being commodity, demand, or customer related. Commodity costs are those that vary with the volume of gas delivered to customers and are allocated based on annual volumes. Demand costs are those incurred to deliver gas to customers at certain levels and are, therefore, dependent on customer demands. These costs are allocated based on peak day demands. Customer costs are those that vary with the number of customers served and are allocated based on number of customers. Other costs are directly related to specific plant investments, and these costs were allocated in the same manner as the plant to which they relate.

Q. Please provide an overview of the rate schedules to which costs were allocated in your cost of service study.

A. The rate schedules to which costs are being allocated are as follows:

Rate 110-Residential Sales Service: Rate 110 is a firm sales service applicable to Residential Sales customers.

Rate 120/125/145-General Sales and Transportation Service: Rate 120 is a firm sales service applicable to any commercial or industrial customer that (1) has an Annual Usage of less than 500,000 therms, and (2) has a Maximum Daily Usage of less than 15,000 therms. Rate 120 was formerly a combined General Sales and Transportation Service. As will be discussed more fully herein, Rate 120 will become a firm sales-only service, and the former Rate 120 transportation customers will comprise a new, separate rate schedule, Rate 145-General Transportation Service.

Vectren South was required by H.B. 1006, which was enacted by the Indiana General Assembly in 2006, to offer a new pooled School Transportation Service. Vectren South filed a thirty-day filing with the Commission on June 14, 2006, requesting authority to implement a new, pooled school transportation service, Rate 125-School Transportation Service. Rate 125-School Transportation Service was approved by the Commission on August 9, 2006. Because this is a new, optional rate schedule, and because there are no customers currently taking service on this rate schedule, it is not possible to estimate the number, usage or peak day demands of potential customers that will be interested in taking this service. Therefore, for this proceeding it has been combined with Rate 120 for cost allocation purposes.

As described above, Rate 145-General Transportation Service is a new rate schedule that will be comprised of the former Rate 120 transportation customers. It will have the identical Availability and Applicability as the Rate 120-General Sales Service. That is, it will be available to any commercial or industrial customer that (1) has an Annual Usage of less than 500,000 therms, and (2) has a Maximum Daily Usage of less than 15,000 therms. Rate 145-General; Transportation Service will be designed based on the Rate 120 rates (after excluding unaccounted-for gas costs). Therefore, it, too, will be combined with Rate 120 for cost allocation purposes.

Rate 160-Large Volume Transportation Service: Rate 160 is a firm transportation service applicable to any non-residential customer whose Annual Usage equals or exceeds 500,000 therms but is less than 10,000,000 therms, or whose Maximum Daily Usage is equal to or greater than 15,000 therms.

Rate 170-Contract Transportation Service: Rate 170 is a large volume firm transportation service applicable to any non-residential customer whose Annual Usage equals or exceeds 10,000,000 therms.

Q. Please describe how you treated Rate 129-Natural Gas Vehicle Service in your cost of service study.

A. Rate 129-Natural Gas Vehicle Service is available to (1) any general service gas customer who contracts with the Company for the purchase of natural gas to be supplied to a Customer-owned and operated compressed natural gas ("CNG") facility for the express purpose of fueling motorized vehicles, or (2) to any person for the purchase of CNG from a Vectren South-owned and operated CNG facility. During the test year Vectren South only had $1,613 in Rate 129 revenues. Refueling of Vectren South CNG vehicles for operational purposes accounted for most CNG usage. Given the above, it is not feasible to establish Rate 129-Natural Gas Vehicle Service as a separate customer class for cost allocation purposes. Instead, Rate 129 revenues will be treated as miscellaneous operating revenues to reduce the amount of the revenue requirement to be recovered through gas rates.

Q. Please describe how you treated Rate 190-Storage Service in your cost of service study.

A. Consistent with Vectren South's and Southern Indiana Gas & Electric Company's past practice, the Rate 190-Storage Service was not set out as a separate customer class for cost allocation purposes. Instead, because storage assets are used jointly for Rate 190-Storage Service and for gas supply and balancing for all customers, the cost of underground storage was allocated to the sales and transportation customer classes. Then, to offset this cost allocation, revenues derived from Rate 190 were credited back to these same customers based on the storage allocators.

Q. Please describe Petitioner's Exhibit No. KAH-2.

A. Petitioner's Exhibit No. KAH-2, Schedules 1 through 7, present the cost of service study I prepared in this proceeding. Schedule 1 presents a table of the rate schedule allocation factors used in the cost allocation process. These cost allocation factors are cross-referenced in the cost allocation schedules that will be subsequently discussed in this section. Schedule 2 presents the results of the allocation of Vectren South's original cost utility rate base among its various rate schedules. Schedule 3 presents the results of the allocation of depreciation and amortization expenses among the various rate schedules. Schedule 4 present the results of the allocation of operation and maintenance expenses ("O&M") among the various rate schedules at Proforma A and Proforma B revenue levels, respectively. Schedule 5 presents the results of the allocation of miscellaneous revenues among the various rate schedules. Schedule 6 reflects the rate schedule-by-rate schedule calculation of federal and state income taxes and the Indiana utility receipts tax. Schedule 7 reflects the summarized results of the preceding cost of service allocations and calculations.

III. PROPOSED REVENUE DISTRIBUTION AMONG RATE SCHEDULES

Q. Have you used the results of the cost of service study in developing your proposed revenue distribution among rate schedules?

A. Yes. My cost of service study served as the foundation for determining the revenue allocation I am proposing. My cost of service study was structured to provide revenue and operating income amounts and associated taxes to compute the rate of return on rate base for each rate schedule at both present and proposed rates.

Q. Please identify the rates of return by rate schedule under Vectren South's present rates.

A. Petitioner's Exhibit No. KAH-3, Schedule 1, contains the Statement of Operating Income at present rates of return (Proforma A) by rate schedule. Line 12 of that schedule reflects the current rate of return for each rate schedule. Line 13 reflects the Earnings Index comparing the current class rates of return to the current overall Company rate of return.

Line 13 shows that the Rate 110 (residential) Earnings Index is 31%, meaning its current rate of return is only 31% of the overall Company rate of return. That is, Rate 110 is being provided a subsidy by the remaining rate schedules. The Earnings Indices of the remaining rate schedules indicate they are all providing subsidies to Rate 110.

Q. Please identify the total operating revenues by rate schedule that would result from equal rates of return at the present revenue level.

A. Petitioner's Exhibit No. KAH-3, Schedule 2, contains the Statement of Operating Income at equal rates of return at the present revenue levels (Proforma A).

Q. Please identify the total operating revenues by rate schedule that would result from equal rates of return at the proposed revenue requirement.

A. Petitioner's Exhibit No. KAH-3, Schedule 3, contains the Statement of Operating Income at equal rates of return at the proposed revenue requirement (Proforma B).

Q. Please identify the rates of return by rate schedule under Vectren South's proposed rates.

A. Petitioner's Exhibit No. KAH-3, Schedule 4, contains the Statement of Operating Income at proposed rates by rate schedule. The proposed rate schedule rates of return and the relative Earnings Indices are shown on Lines 12 and 13, respectively.

Q. Please identify the subsidy level for each rate schedule at present and proposed rates and the change in each subsidy level reflected in the proposed revenue allocations.

A. Petitioner's Exhibit No. KAH-4, Schedule 1, reflects the current and proposed dollar subsidy levels for each rate schedule at present and proposed rates. Petitioner's Exhibit No. KAH-4, Schedule 2, summarizes the Earnings Indices at present and proposed rates, and shows the relative movement in the Earnings Indices toward equal rates of return. Petitioner's Exhibit No. KAH-4, Schedule 2, illustrates that the proposed rates result in each rate schedule making a significant movement in the Earnings Index toward a value of 100% (representing the overall Company rate of return).

Q. What effect will the proposed revenue allocation have on the annual revenues from gas sales to be collected from each rate schedule?

A. Petitioner's Exhibit No. KAH-5 contains a summary of present and proposed revenues from gas sales by rate schedule.

IV. PROPOSED RATE DESIGN

Q. Have you developed rates that produce the results described in the preceding section?

A. Yes. These proposed rates and charges are contained in the Tariff for Gas Service sponsored by Vectren South witness Scott E. Albertson in Petitioner's Exhibit No. SEA-12.

Q. Please explain how you developed Vectren South's proposed rates for this proceeding.

A. Based upon the desired revenue distribution to each rate class as previously described in my testimony, the primary objective was to design rates that recovered the appropriate amount of revenue from each rate class. However, additional considerations also guided my rate design. Vectren South's current Customer Facilities Charges are significantly below the indicated fixed costs of providing service. Vectren South's fixed costs should be recovered through the fixed monthly Customer Facilities Charges. Similarly, variable costs should be recovered through volumetric charges. To the extent that fixed costs are allowed to be recovered in the rate design as though they were commodity costs, the rate design will result in: (1) an unnecessary degree of bill volatility for customers, (2) earnings erosion for Vectren South due to declining average usage per customer, and (3) a misalignment in the pricing results with the costs incurred to serve customers. In the instant case, I concluded that a reasonable rate design would provide for Vectren South to structure its rates to recover a greater portion of its costs through the monthly Customer Facilities Charge, and I have applied this reasoning in developing the proposed rates.

Q. Following the determination of the proposed Customer Facilities Charge for each rate class, please describe the next step in the rate design process.

A. The next step is to distribute the revenues between the rate blocks (where applicable). We were guided by our objective to (1) have a reasonable relationship between rate blocks in the subject rate schedule, (2) have a reasonable relationship and continuum between the rate blocks of adjacent rate schedules, and (3) mitigate rate shock within the customer class.

Q. Have you developed rates and charges that produce the results described in the preceding section?

A. Yes. Each rate schedule will be discussed in the following paragraphs.

<u>Rate 110-Residential Sales Service</u>

Q. Please describe the proposed revisions to the Rate 110-Residential Sales Service.

A. The Rate 110 Customer Facilities Charge has been increased to $16.00 from $10.75. The remainder of the increase was distributed among the Distribution Charge rate blocks.

Q. Please describe the impact of Vectren South's proposed revenue allocations and rates and charges upon Rate 110 customers.

A. Petitioner's Exhibit No. KAH-6, Schedule1, contains a table of monthly bill amounts calculated at various levels of usage for both present and proposed rates for Rate 110 customers. The dollar and percentage increase in monthly bill amounts is identified for each usage level. Petitioner's Exhibit No. KAH-6, Schedule 2, contains the calculation of the impact of the proposed rates on an average Residential customer. This exhibit shows that the average Residential customer will experience an annual increase of 6.6%.

Rate 120-General Sales Service

Q. What revisions are proposed for the Rate 120-General Sales Service?

A. As previously mentioned, Rate 120 was formerly a combined General Sales and Transportation Service. Rate 120 will become a firm sales-only service, and the former Rate 120 transportation customers will become a new, separate rate schedule, Rate 145-General Transportation Service. The separation of the former combined sales and transportation service into separate sales and transportation services provides several benefits. First, the Rate 120 transportation customers are for all practical purposes treated as a separate rate class today, and the designation of these customers as a separate rate schedule will reflect this treatment and avoid potential confusion. Second, the creation of separate sales and transportation rate schedules will allow the use of different cost allocation and rate design, as deemed appropriate in future cases.

In Vectren South's last gas rate case, Cause No. 42596, the eligibility threshold to qualify for transportation service was reduced from 250,000 dekatherms per year to 50,000 therms per year to allow more customers the opportunity to transport their own gas supplies. However, Vectren South continued the existing monthly Transportation Service Charge of $75. Few smaller Rate 120 customers took advantage of the opportunity to transport, and it is believed the $75 Transportation Service Charge acted as a deterrent. Vectren South is proposing to eliminate the Transportation Service Charge in this proceeding, and the Company expects a number of Rate 120 customers to migrate to this service. Accordingly, in this proceeding it was decided to base the Rate 145 rates and charges on the Rate 120 rates (although the Rate 145 rates will exclude the costs of unaccounted for gas costs).

Q. Please describe the proposed revisions to the Rate 120 rates and charges.

A. The Customer Facilities Charge for Rate 120 customers with Group 1 meters has been raised to $24.00 from $20.00. The Customer Facilities Charge for Rate 120 customers with Group 2 meters has been raised to $50.00 from $34.00. The Customer Facilities Charge for Rate 120 customers with Group 3 meters has been raised to $100.00 from $70.00. The remainder of the increase was distributed among the current Distribution Charge rate blocks.

Q. Please describe the impact of Vectren South's proposed revenue allocations and rates and charges upon the monthly bills of Rate 120 customers.

A. Petitioner's Exhibit No. KAH-6, Schedules 3, 4 and 5 contain tables showing monthly bill amounts calculated at various levels of usage for both present and proposed rates for Rate 120 customers with Group 1, Group 2 and Group 3 meters, respectively. The dollar and percentage increase in monthly bill amounts is identified for each usage level.

Rate 125-School Transportation Service

Q. What revisions are proposed for Rate 125-School Transportation Service?

A. As previously described, Rate 125-School Transportation Service is a new rate schedule that was just recently approved by the Commission on August 9, 2006 in response to enactment of H.B. 1006. As such, no customers are currently taking service on Rate 125-School Transportation Service. Customers desiring service under Rate 125-School Transportation Service will come from Rate 120-General Sales Service. Therefore, Vectren South proposes to utilize the same unit margin (i.e. non-gas) unit rates as proposed for Rates 120-General Sales Service (although the Rate 125 rates will exclude the costs of unaccounted for gas costs). This rate design approach is consistent with the rate design approach proposed by Vectren South in its June 14, 2006 thirty-day filing, which was accepted by the Commission.[2]

Q. Please describe the impact of Vectren South's proposed revenue allocations and rates and charges upon the monthly bills of Rate 120 customers.

A. The dollar and percentage increase in monthly bill amounts for Rate 125 customers will be identical to that of the Rate 145 customers, which will be described in the following paragraph.

<u>Rate 145-General Transportation Service</u>

Q. Please describe the proposed new Rate 145-General Transportation Service.

A. As previously described, Rate 120 was formerly a combined General Sales and Transportation Service. Rate 120 is now proposed to become a firm sales-only service, and the former Rate 120 transportation customers will comprise the new Rate 145 General Transportation Service.

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[2] Vectren South's thirty-day filing added $7.50 per month to each Rate 120 Customer Facilities Charge in order to derive the Rate 125 Customer Facilities Charges. However, in this proceeding, Vectren proposes to use the same Customer Facilities Charges for Rates 120 and 125.

Q. Please describe the changes that are proposed to the Rate 145 Customer Facilities Charges (compared to the current Rate 120 transportation charges).

A. The Customer Facilities Charge for Rate 145 customers with Group 1 meters has been raised to $24.00 from $20.00. The Customer Facilities Charge for Rate 145 customers with Group 2 meters has been raised to $50.00 from $34.00. The Customer Facilities Charge for Rate 145 customers with Group 3 meters has been raised to $100.00 from $70.00. However, the present Transportation Service Charge of $75 that these customers are currently subject to under Rate 120 is proposed to be eliminated. Therefore, the effective Customer Facilities Charges to the Rate 145 customers has decreased.

Q. Please describe the impact of Vectren South's proposed revenue allocations and rates and charges upon the monthly bills of Rate 145 customers.

A. Petitioner's Exhibit No. KAH-6, Schedules 6, 7 and 8 contain tables showing monthly bill amounts calculated at various levels of usage for both present and proposed rates for Rate 145 customers with Group 1, Group 2 and Group 3 meters, respectively. The dollar and percentage increase in monthly bill amounts is identified for each usage level.

Rate 160-Large Volume Transportation Service

Q. Please describe the proposed revisions to the Rate 160-Large Volume Transportation Service.

A. The Rate 160 Customer Facilities Charge has been increased to $400.00 from $200.00. The remainder of the increase was distributed among the current Distribution Charge rate blocks.

Q. Please describe the impact of Vectren South's proposed revenue allocations and rates and charges upon Rate 160 customers.

A. Petitioner's Exhibit No. KAH-6, Schedule 9 contains a table of monthly bill amounts calculated at various levels of usage for both present and proposed rates for Rate 160 customers. The dollar and percentage increase in monthly bill amounts is identified for each usage level.

Rate170-Contract Transportation Service

Q. Please describe the proposed revisions to the Rate170-Contract Transportation Service.

A. The Rate 170 Customer Facilities Charge has been increased to $700.00 from $350.00. The remainder of the increase was distributed among the current Distribution Charge rate blocks.

Q. Please describe the impact of Vectren South's proposed revenue allocations and rates and charges upon Rate 170 customers.

A. Petitioner's Exhibit No. KAH-6, Schedule 10 contains a table of monthly bill amounts calculated at various levels of usage for both present and proposed rates for Rate 170 customers. The dollar and percentage increase in monthly bill amounts is identified for each usage level.

Rate 129-Natural Gas Vehicle Service

Q. Please describe the current Rate 129-Natural Gas Vehicle Service.

A. Rate 129-Natural Gas Vehicle Service is available to (1) any general service gas customer who contracts with the Company for the purchase of natural gas to be supplied to a Customer-owned and operated compressed natural gas ("CNG") facility for the express purpose of fueling motorized vehicles, or (2) to any person for the purchase of CNG from a Vectren South-owned and operated CNG facility. Customers whose annual gas usage will equal or exceed 250,000 therms per year must execute a contract with a minimum term of five (5) years.

Q. Please describe the current use of Rate 129.

A. During the test year Vectren South did not have any Rate 129 revenues from external customers. Refueling of Vectren South CNG vehicles for operational purposes accounted for all CNG usage.

Q. Based on the nature of the Rate 129 usage as described above, how are you proposing to treat Rate 129 for rate design?

A. As previously described, for the aforementioned reasons it was not feasible to establish Rate 120-Natural Gas Vehicle Sales as a separate customer class for cost allocation purposes. Instead, for rate design purposes I propose to increase the Rate 129-Natural Gas Vehicle Service rates and charges across-the-board the same overall percentage as adopted for Rate 120-General Sales Service.

Rate 190-Storage Service

Q. Please describe how you derived rates for the Rate 190-Storage Service.

A. The rates for Rate 190-Storage Service were based on the functionalized costs of storage using the same methodology as used by Vectren South and Southern Indiana Gas & Electric Company in previous rate cases.

Q. Are you proposing any changes to Rate 190-Storage Service?

A. Yes. The Injection Charge, which is intended to recover the variable cost of compressor operations necessary for injections and withdrawals of customer's stored gas volumes, has been changed from a unit rate to a retention percentage. Under the proposed Injection Retention, a percentage of the quantities delivered to the Company by Customer for injection will be retained by the Company to compensate for Compressor Fuel. The proposed percentage is 0.8%, which represents the average percentage of compressor fuel usage for injections over the prior four years.

Revenue Proofs

Q. Have you prepared a revenue proof at present and proposed rates?

A. Yes. Petitioner's Exhibit No. KAH-7, Schedule 1, contains the Calculation of Revenues at Present and Proposed Rates.

Q. Have you prepared a revenue proof based on the proposed rates to demonstrate that the proposed rates generate the appropriate level of revenues?

A. Yes. Petitioner's Exhibit No. KAH-7, Schedule 2, contains the Calculation of Revenues at Proposed Rates. Column 3 highlights Vectren South's proposed Distribution Charges. Column 6 shows the Revenues from Gas Sales at Proposed Rates. This exhibit shows the comparison of calculated revenues (Column 8) to allocated costs (Column 9) for each rate schedule based on the proposed rates and charges. Only slight differences appear as reflected in Columns 10 and 11, and they are attributable to rounding differences.

V. REVISIONS TO NON-RECURRING CHARGES

Q. Please describe the revisions that Vectren South is proposing to its non-recurring charges.

A. Vectren South is proposing the following revisions, both of which are reflected on Appendix C of the proposed Tariff for Gas Service, sponsored by witness Albertson in Petitioner's Exhibit No. SEA-2:

1. An increased Reconnect Charge from twenty dollars ($20.00) to fifty-five dollars ($55.00). This change resulted from an analysis that showed an increase in Vectren South's cost of making a disconnection and subsequent reconnection. The cost justification for this charge is reflected in Petitioner's Exhibit No. KAH-8, Schedule 1.

2. An increased Nonsufficient Funds ("NSF") Check Charge from fifteen dollars ($15.00) to twenty-five dollars ($25.00). This change resulted from an analysis that showed an increase in Vectren South's cost of processing a Nonsufficient Funds Check. The cost justification for this charge is reflected in Petitioner's Exhibit No. KAH-8, Schedule 2.

3. An increased After Hours Charge from twenty-two dollars ($22.00) to forty-five dollars ($45.00). This change resulted from an analysis that showed an increase in Vectren South's cost of service after hours. The cost justification for this charge is reflected in Petitioner's Exhibit No. KAH-8, Schedule 3.

4. An increased Diversion Charge from forty-four dollars ($44.00) to sixty-five dollars ($65.00). This change resulted from an analysis that showed an increase in Vectren South's cost of investigating diversions. The cost

justification for this charge is reflected in Petitioner's Exhibit No. KAH-8, Schedule 4.

Q. Does this conclude your prepared direct testimony?

A. Yes, at the present time.

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
SCHEDULE OF ALLOCATION FACTORS

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

NO.	ALLOCATORS	Rate 110	Rate 120/125/145	Rate 160	Rate 170	Total
	Input Allocators					
	Annual Throughput	74,935,944	47,463,034	50,066,930	112,675,194	285,141,102
1		26.2803%	16.6455%	17.5587%	39.5156%	100.0000%
	Annual Sales	74,935,944	40,592,209	0	0	115,528,153
2		64.8638%	35.1362%	0.0000%	0.0000%	100.0000%
	Number of Bills	1,208,688	123,918	420	48	1,333,074
3		90.6692%	9.2957%	0.0315%	0.0036%	100.0000%
	Design Day Throughput	1,246,684	614,923	162,119	594,381	2,618,106
4		47.6178%	23.4873%	6.1922%	22.7027%	100.0000%
	Design Day Sales	1,246,684	561,736	0	0	1,808,420
5		68.9377%	31.0623%	0.0000%	0.0000%	100.0000%
	P/F A Normal Rev. w/o Misc. Rev.	$100,314,004	$49,103,662	$2,574,401	$1,368,488	$153,360,555
6		65.4106%	32.0184%	1.6787%	0.8923%	100.0000%
	Meters Study	$6,317,662	$2,979,227	$371,496	$61,687	$9,730,072
7		64.9292%	30.6188%	3.8180%	0.6340%	100.0000%
	Services Study	$44,178,667	$5,916,242	$310,374	$155,053	50,560,335
8		87.3781%	11.7013%	0.6139%	0.3067%	100.0000%
	Uncollectibles Analysis	$398,683	$126,913	$0	$0	$525,595
10		75.8535%	24.1465%	0.0000%	0.0000%	100.0000%
	Winter Sales	55,901,397	28,543,594	0	0	84,444,991
14		66.1986%	33.8014%	0.0000%	0.0000%	100.0000%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
SCHEDULE OF ALLOCATION FACTORS

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

Input Allocators (cont.)

NO.	ALLOCATORS	Rate 110	Rate 120/125/145	Rate 160	Rate 170	TOTAL
	Direct to Rate 170	0	0	0	1	1
18		0.0000%	0.0000%	0.0000%	100.0000%	100.0000%
	Annual Throughput-Rates 110 thru 160	74,935,944	47,463,034	50,066,930	0	172,465,908
21		43.4497%	27.5202%	29.0300%	0.0000%	100.0000%
	Design Day Throughput-Rates 110 thru 160	1,246,684	614,923	162,119	0	2,023,725
22		61.6034%	30.3857%	8.0109%	0.0000%	100.0000%
	Number of Bills-Rates 110 thru 160	1,208,688	123,918	420	0	1,333,026
23		90.6725%	9.2960%	0.0315%	0.0000%	100.0000%
	Test Year USF Revenues	404,396	137,819	34,640	55,448	632,304
24		63.9560%	21.7964%	5.4784%	8.7692%	100.0000%
	Direct to Residential	1	0	0	0	1
26		100.0000%	0.0000%	0.0000%	0.0000%	100.0000%
	Proforma A Margins	22,216,120	7,493,173	2,497,170	1,294,653	33,501,117
28		66.3146%	22.3669%	7.4540%	3.8645%	100.0000%
	Gas Costs	77,121,648	41,234,395	0	0	118,356,043
29		65.1607%	34.8393%	0.0000%	0.0000%	100.0000%
	Forfeited Discounts Analysis	1,094,136	439,657	0	0	1,533,793
31		71.3353%	28.6647%	0.0000%	0.0000%	100.0000%

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

NO.	ALLOCATORS	Rate 110	Rate 120/125/145	Rate 160	Rate 170	TOTAL
	Reconnect Charge Analysis	55,356	8,726	0	0	64,082
32	(From file "Nonrecurring Charges and Adjustments ve	86.3831%	13.6169%	0.0000%	0.0000%	100.0000%
	Unbilled Analysis	($1,277,028)	($388,034)	$0	$0	($1,665,062)
33		76.6955%	23.3045%	0.0000%	0.0000%	100.0000%

Internally-Generated Allocators

NO.	ALLOCATORS	Rate 110	Rate 120/125/145	Rate 160	Rate 170	TOTAL
	Gross Plant	$130,522,527	$38,099,294	$14,319,977	$8,188,732	$191,130,530
100		68.2897%	19.9337%	7.4922%	4.2844%	100.0000%
	Original Cost Rate Base	$81,004,019	$24,419,766	$8,254,422	$4,802,226	$118,480,432
102		68.3691%	20.6108%	6.9669%	4.0532%	100.0000%
	Total Component of Distribution Mains	$45,929,185	$16,595,902	$9,348,104	$0	$71,873,191
103		63.9031%	23.0905%	13.0064%	0.0000%	100.0000%
	Mains and Services Plant	$90,711,437	$23,005,754	$10,019,390	$150,801	$123,887,382
107		73.2209%	18.5699%	8.0875%	0.1217%	100.0000%
	Meters, Meter Installations and House Regulators	$8,634,004	$4,071,547	$507,704	$84,304	$13,297,559
108		64.9292%	30.6188%	3.8180%	0.6340%	100.0000%
	Subtotal Distribution Plant	$47,744,239	$17,251,747	$9,717,527	$0	$74,713,513
109		63.9031%	23.0905%	13.0064%	0.0000%	100.0000%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
SCHEDULE OF ALLOCATION FACTORS

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

Internally-Generated Allocators (cont.)

NO.	ALLOCATORS	Rate 110	Rate 120/125/145	Rate 160	Rate 170	TOTAL
	Subtotal Gross Plant	$122,440,327	$35,740,114	$13,433,257	$7,681,670	$179,295,369
110		68.2897%	19.9337%	7.4922%	4.2844%	100.0000%
	Storage Plant - Annual	$658,566	$417,124	$440,008	$990,233	$2,505,930
	Storage Plant - Peak	$3,455,063	$1,556,798	$0	$0	$5,011,861
	Storage Plant - Winter	$3,317,781	$1,694,079	$0	$0	$5,011,861
	Total Storage Plant	$7,431,410	$3,668,001	$440,008	$990,233	$12,529,652
111		59.3106%	29.2746%	3.5117%	7.9031%	100.0000%
	O&M Without Gas Costs (P/F A)	$15,065,413	$3,208,369	$866,331	$608,091	$19,748,203
115		76.2875%	16.2464%	4.3869%	3.0792%	100.0000%
	O&M Without Gas Costs (P/F B)	$12,520,777	$2,729,549	$725,235	$601,048	$16,576,609
117		75.5328%	16.4663%	4.3750%	3.6259%	100.0000%
	Distribution O&M (P/F B)	$2,748,307	$683,152	$256,675	$4,811	$3,692,944
119		74.4205%	18.4988%	6.9504%	0.1303%	0.0000%
	Total Depreciation Expenses	$3,860,447	$1,065,921	$393,462	$224,275	$5,544,105
120		69.6316%	19.2262%	7.0969%	4.0453%	100.0000%
	P/F A Normal Rev. w/ Misc. Rev.	101,473,606	49,534,993	2,624,320	1,401,294	155,034,213
121		65.4524%	31.9510%	1.6927%	0.9039%	100.0000%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
SCHEDULE OF ALLOCATION FACTORS

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

NO.	ALLOCATORS	Rate 110	Rate 120/125/145	Rate 160	Rate 170	TOTAL
Internally-Generated Allocators (cont.)						
	P/F A Equalized Rev. w/ Misc. Rev.	104,212,739	47,992,092	1,778,897	1,050,464	155,034,192
122		67.2192%	30.9558%	1.1474%	0.6776%	100.0000%
	P/F B Equalized Rev. w/ Misc. Rev.	110,827,776	50,545,004	2,501,395	1,596,368	165,470,544
123		66.9773%	30.5462%	1.5117%	0.9647%	100.0000%
	P/F B Normal Rev. w/ Misc. Rev.	108,088,642	52,087,905	3,346,819	1,947,198	165,470,564
124		65.3220%	31.4787%	2.0226%	1.1768%	100.0000%
	Labor Allocator	$4,327,347	$826,944	$234,546	$11,706	$5,400,543
125		80.1280%	15.3122%	4.3430%	0.2168%	100.0000%
	Asset Charge Study	$2,594,826	$499,080	$135,490	$77,262	$3,306,657
126		78.4728%	15.0932%	4.0975%	2.3365%	100.0000%
	Total Component of Transmission Mains	$12,556,323	$3,995,181	$1,977,693	$5,175,227	$23,704,425
131		52.9704%	16.8542%	8.3431%	21.8323%	100.0000%
	Subtotal Transmission Plant	$15,605,536	$4,967,677	$2,461,680	$6,439,942	$29,474,835
132		52.9453%	16.8540%	8.3518%	21.8489%	100.0000%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
ALLOCATION OF RATE BASE

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 2

		No.	Allocation Method	Total	Rate 110	Rate 120/125/145	Rate 160	Rate 170
	GROSS PLANT							
(1)	Total Manufactured Gas Production	5	Design Day Sales	$0	$0	$0	$0	$0
(2)	Total Natural Gas Production Plant	2	Annual Sales	$54,245	$35,185	$19,059	$0	$0
	Total Underground Storage Plant							
(3)	Commodity	1	Annual Throughput	$2,505,930	$658,566	$417,124	$440,008	$990,233
(4)	Demand	5	Design Day Sales	$5,011,861	$3,455,063	$1,556,798	$0	$0
(5)	Winter	14	Winter Sales	$5,011,861	$3,317,781	$1,694,079	$0	$0
	Total Transmission Plant							
	Mains							
(6)	Customer	3	Number of Bills	$7,069,534	$6,409,892	$657,160	$2,227	$255
(7)	Commodity	1	Annual Throughput	$8,317,446	$2,185,850	$1,384,477	$1,460,431	$3,286,688
(8)	Demand	4	Design Day Throughput	$8,317,446	$3,960,582	$1,953,545	$515,034	$1,888,285
(9)	Land and Land Rights	131	Total Component of Transmission Mains	$1,509,516	$799,596	$254,416	$125,941	$329,562
(10)	Compressor Station Equipment	1	Annual Throughput	$27,708	$7,282	$4,612	$4,865	$10,949
(11)	Structures and Improvements	131	Total Component of Transmission Mains	$223,698	$118,494	$37,702	$18,663	$48,838
(12)	Measuring and Regulating Equipment	131	Total Component of Transmission Mains	$4,009,488	$2,123,841	$675,766	$334,517	$875,365
(13)	Other Transmission Equipment	132	Subtotal Transmission Plant	$6,426	$3,402	$1,083	$537	$1,404
	Total Distribution Plant							
(14)	Mains							
(15)	Customer	23	Number of Bills-Rates 110 thru 160	$21,435,236	$19,435,864	$1,992,618	$6,754	$0
(16)	Commodity	21	Annual Throughput-Rates 110 thru 160	$25,218,978	$10,957,574	$6,940,323	$7,321,080	$0
(17)	Demand	22	Design Day Throughput-Rates 110 thru 160	$25,218,978	$15,535,747	$7,662,960	$2,020,270	$0
(18)	Land and Land Rights	103	Total Component of Distribution Mains	$119,160	$76,147	$27,515	$15,498	$0
(19)	Compressor Station Equipment	21	Annual Throughput-Rates 110 thru 160	$0	$0	$0	$0	$0
(20)	Structures and Improvements	103	Total Component of Distribution Mains	$115,596	$73,870	$26,692	$15,035	$0
(21)	Measuring and Regulating Equipment	103	Total Component of Distribution Mains	$2,605,566	$1,665,037	$601,639	$338,890	$0
(22)	Services	8	Services Study	$49,173,868	$42,967,198	$5,754,006	$301,863	$150,801
(23)	Meters - Account 381 & 385	7	Meters Study	$12,310,204	$7,992,921	$3,769,231	$470,006	$78,045
(24)	Meter Installations - Account 381 & 385	7	Meters Study	$449,304	$291,730	$137,571	$17,155	$2,849
(25)	House Regulators - Account 381 & 385	7	Meters Study	$538,051	$349,352	$164,744	$20,543	$3,411
(26)	Measuring and Regulating Equipment - Industrial	18	Direct to Rate 170	$14,986	$0	$0	$0	$14,986
(27)	Other Distribution Equipment	109	Subtotal Distribution Plant	$30,285	$19,353	$6,993	$3,939	$0
(28)	Total General and Intangible Plant	110	Subtotal Gross Plant	$11,835,161	$8,082,200	$2,359,180	$886,720	$507,062
(29)	Total Gross Plant			$191,130,529	$130,522,527	$38,099,294	$14,319,977	$8,188,732

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
ALLOCATION OF RATE BASE

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

		No.	Allocation Method	Total	Rate 110	Rate 120/125/145	Rate 160	Rate 170
	DEPRECIATION RESERVE							
(1)	Total Manufactured Gas Production Depr. Reserve	5	Design Day Sales	$0	$0	$0	$0	$0
(2)	Total Natural Gas Production Plant Depr. Reserve	2	Annual Sales	$24,113	$15,641	$8,472	$0	$0
(3)	Total Underground Storage Plant Depr. Reserve	111	Total Storage Plant	$3,530,092	$2,093,718	$1,033,419	$123,967	$278,987
	Total Transmission Plant Depreciation Reserve							
(4)	Mains	131	Total Component of Transmission Mains	$10,788,280	$5,714,593	$1,818,274	$900,081	$2,355,332
(5)	Land and Land Rights	131	Total Component of Transmission Mains	$349,013	$184,874	$58,823	$29,119	$76,198
(6)	Compressor Station Equipment	1	Annual Throughput	$32,484	$8,537	$5,407	$5,704	$12,836
(7)	Structures and Improvements	131	Total Component of Transmission Mains	$55,414	$29,353	$9,340	$4,623	$12,098
(8)	Measuring and Regulating Equipment	131	Total Component of Transmission Mains	$1,503,803	$796,570	$253,453	$125,464	$328,315
(9)	Other Transmission Equipment	132	Subtotal Transmission Plant	$36,306	$19,222	$6,119	$3,032	$7,932
	Total Distribution Plant Depreciation Reserve							
(10)	Mains	103	Total Component of Distribution Mains	$31,024,904	$19,825,870	$7,163,815	$4,035,218	$0
(11)	Land and Land Rights	103	Total Component of Distribution Mains	$8,875	$5,671	$2,049	$1,154	$0
(12)	Structures and Improvements	103	Total Component of Distribution Mains	$103,404	$66,078	$23,877	$13,449	$0
(13)	Measuring and Regulating Equipment	103	Total Component of Distribution Mains	$778,321	$497,371	$179,718	$101,231	$0
(14)	Services	8	Services Study	$20,081,430	$17,546,775	$2,349,798	$123,274	$61,583
(15)	Meters - Account 381 & 385	7	Meters Study	$5,402,859	$3,508,035	$1,654,288	$206,282	$34,253
(16)	Meter Installations - Account 381 & 385	7	Meters Study	$237,382	$154,130	$72,683	$9,063	$1,505
(17)	House Regulators - Account 381 & 385	7	Meters Study	$299,850	$194,690	$91,810	$11,448	$1,901
(18)	Measuring and Regulating Equipment - Industrial	18	Direct to Rate 170	$3,564	$0	$0	$0	$3,564
(19)	Other Distribution Equipment	109	Subtotal Distribution Plant	$13,154	$8,406	$3,037	$1,711	$0
(20)	General and Intangible Plant Depreciation Reserve	110	Subtotal Gross Plant	$5,955,847	$4,067,232	$1,187,218	$446,227	$255,170
(21)	Total Depreciation Reserve			$80,229,095	$54,736,767	$15,921,602	$6,141,049	$3,429,677

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
ALLOCATION OF RATE BASE

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

	No.	Allocation Method	Total	Rate 110	Rate 120/125/145	Rate 160	Rate 170
OTHER RATE BASE COMPONENTS							
(1) Materials and Supplies	100	Gross Plant	$1,007,629	$688,107	$200,857	$75,494	$43,171
(2) LP (Propane) Gas	5	Design Day Sales	$6,571,368	$4,530,151	$2,041,217	$0	$0
(3) Total Other Rate Base Component:			$7,578,997	$5,218,258	$2,242,074	$75,494	$43,171
(4) Total Rate Base			$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
ALLOCATION OF DEPRECIATION AND AMORTIZATION EXPENSE

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 3
PAGE 1 OF 1

	No.	Allocation Method	Total	Rate 110	Rate 120/125/145	Rate 160	Rate 170
DEPRECIATION AND AMORTIZATION EXPENSES							
(1) Total Manufactured Gas Production	5	Design Day Sales	$0	$0	$0	$0	$0
(2) Total Natural Gas Production Plant	2	Annual Sales	$0	$0	$0	$0	$0
(3) Total Underground Storage Plant	111	Total Storage Plant	$121,522	$72,075	$35,575	$4,268	$9,604
(4) Total Local Storage	0	*Not Applicable*	$0	$0	$0	$0	$0
Total Transmission Plant							
(5) Mains	131	Total Component of Transmission Mains	$656,613	$347,810	$110,667	$54,782	$143,354
(6) Land and Land Rights	131	Total Component of Transmission Mains	$22,974	$12,170	$3,872	$1,917	$5,016
(7) Compressor Station Equipment	1	Annual Throughput	$973	$256	$162	$171	$384
(8) Structures and Improvements	131	Total Component of Transmission Mains	$5,257	$2,785	$886	$439	$1,148
(9) Measuring and Regulating Equipment	131	Total Component of Transmission Mains	$199,272	$105,555	$33,586	$16,626	$43,506
(10) Other Transmission Equipment	132	Subtotal Transmission Plant	$258	$137	$44	$22	$56
Total Distribution							
(11) Mains	103	Total Component of Distribution Mains	$1,947,765	$1,244,682	$449,749	$253,334	$0
(12) Land and Land Rights	103	Total Component of Distribution Mains	$0	$0	$0	$0	$0
(13) Compressor Station Equipment	21	Annual Throughput-Rates 110 thru 160	$0	$0	$0	$0	$0
(14) Structures and Improvements	103	Total Component of Distribution Mains	$2,439	$1,559	$563	$317	$0
(15) Measuring and Regulating Equipment	103	Total Component of Distribution Mains	$78,688	$50,284	$18,169	$10,234	$0
(16) Services	8	Services Study	$1,716,166	$1,499,554	$200,815	$10,535	$5,263
(17) Meters - Account 381 & 385	7	Meters Study	$473,943	$307,727	$145,115	$18,095	$3,005
(18) Meter Installations - Account 381 & 385	7	Meters Study	$15,186	$9,860	$4,650	$580	$96
(19) House Regulators - Account 381 & 385	7	Meters Study	$16,138	$10,479	$4,941	$616	$102
(20) Measuring and Regulating Equipment - Industrial	18	Direct to Rate 170	$526	$0	$0	$0	$526
(21) *Other Distribution Equipment*	109	*Subtotal Distribution Plant*	$1,275	$815	$294	$166	$0
(22) General and Intangible Plant	110	Subtotal Gross Plant	$285,110	$194,701	$56,833	$21,361	$12,215
(23) Amortization of Leasehold Improvements	110	Subtotal Gross Plant	$0	$0	$0	$0	$0
(24) Amortization of Acquisition Adjustment	100	Gross Plant	$0	$0	$0	$0	$0
(25) Total Depreciation and Amortization Expense			$5,544,105	$3,860,447	$1,065,921	$393,462	$224,275

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE
PROFORMA A (PRESENT REVENUE LEVELS)

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

		No.	Allocation Method	Total	Rate 110	Rate 120/125/145	Rate 160	Rate 170
	PROFORMA COST OF GAS							
(1)	Commodity Cost of Purchased Gas	2	Annual Sales	$108,932,535	$70,657,776	$38,274,759	$0	$0
(2)	Demand Cost of Purchased Gas	5	Design Day Sales	$8,626,249	$5,946,739	$2,679,510	$0	$0
(3)	Unaccounted for Gas Costs (Sales Only)	2	Annual Sales	$1,434,775	$930,650	$504,126	$0	$0
(4)	Total Proforma Cost of Ga			$118,993,559	$77,535,165	$41,458,394	$0	$0
	OPERATING EXPENSES							
(5)	Total Underground Storage Expense	111	Total Storage Plant	$660,594	$391,802	$193,386	$23,198	$52,208
	Total Transmission Expenses							
(6)	Mains	131	Total Component of Transmission Mains	$1,560,515	$826,611	$263,012	$130,196	$340,697
(7)	Structures and Improvements	131	Total Component of Transmission Mains	$233,159	$123,505	$39,297	$19,453	$50,904
(8)	Measuring and Regulating Equipment	131	Total Component of Transmission Mains	$135,607	$71,832	$22,855	$11,314	$29,606
(9)	Supervision and Engineering	132	Subtotal Transmission Plant	$77,121	$40,832	$12,998	$6,441	$16,850
(10)	Other Transmission	132	Subtotal Transmission Plant	($41)	($22)	($7)	($3)	($9)
	Total Distribution Expenses							
(11)	Measuring and Regulating Equipment	103	Total Component of Distribution Mains	$174,271	$111,365	$40,240	$22,666	$0
(12)	Mains and Services	107	Mains and Services Plant	$2,391,334	$1,750,956	$444,068	$193,399	$2,911
(13)	Meter, Meter Installation and House Regulator	108	Meters, Meter Installations and House Regu	$296,301	$192,386	$90,724	$11,313	$1,879
(14)	Customer Installation Expenses	3	Number of Bills	$607,264	$550,602	$56,449	$191	$22
(15)	Structures and Improvements Maintenance	103	Total Component of Distribution Mains	$223,774	$142,998	$51,671	$29,105	$0
(16)	Supervision and Engineering	119	Distribution O&M (P/F B)	$558,126	$415,360	$103,247	$38,792	$727
(17)	Other Distribution	119	Distribution O&M (P/F B)	$800,211	$595,521	$148,030	$55,618	$1,043
(18)	Total Customer Accounts Expenses (Excl. Uncoll.)	3	Number of Bills	$3,346,331	$3,034,093	$311,064	$1,054	$120
(19)	Uncollectibles	10	Uncollectibles Analysis	$1,147,253	$870,232	$277,021	$0	$0
(20)	Total Customer Service Expenses	3	Number of Bills	$354,980	$321,857	$32,998	$112	$13
(21)	Total Sales Expenses	115	O&M Without Gas Costs (P/F A)	$66,342	$51,006	$10,682	$2,906	$1,748
	Administrative and General							
(22)	Plant-Related	100	Gross Plant	$625,921	$427,440	$124,769	$46,896	$26,817
(23)	Salaries-Related	125	Labor Allocator	$6,881,316	$5,513,860	$1,053,684	$298,856	$14,916
(24)	Asset Charge	126	Asset Charge Study	$3,306,657	$2,594,826	$499,080	$135,490	$77,262
(25)	Total Proforma A Operating Cost			$23,447,038	$18,027,063	$3,775,266	$1,026,996	$617,712
(26)	Total Depreciation and Amortization Expense			$5,544,105	$3,860,447	$1,065,921	$393,462	$224,275
(27)	Total Proforma A Operating and Maintenance Expenses Before Taxe			$147,984,703	$99,422,675	$46,299,582	$1,420,458	$841,987

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE
PROFORMA B (PROPOSED REVENUE LEVELS)

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

		NO.	Allocation Method	Total	Rate 110	Rate 120/125/145	Rate 160	Rate 170
	PROFORMA COST OF COST							
(1)	Commodity Cost of Purchased Gas	2	Annual Sales	$108,932,535	$70,657,776	$38,274,759	$0	$0
(2)	Demand Cost of Purchased Gas	2	Annual Sales	$8,626,249	$5,595,312	$3,030,937	$0	$0
(3)	Unaccounted for Gas Costs (Sales Only	2	Annual Sales	$1,434,775	$930,650	$504,126	$0	$0
(4)	Total Proforma Cost of Ga			$118,993,559	$77,183,738	$41,809,821	$0	$0
	OPERATING EXPENSES							
(5)	Total Underground Storage Expense	111	Total Storage Plant	$660,594	$391,802	$193,386	$23,198	$52,208
	Total Transmission Expenses							
(6)	Mains	131	Total Component of Transmission Mains	$1,560,515	$826,611	$263,012	$130,196	$340,697
(7)	Structures and Improvements	131	Total Component of Transmission Mains	$233,159	$123,505	$39,297	$19,453	$50,904
(8)	Measuring and Regulating Equipment	131	Total Component of Transmission Mains	$135,607	$71,832	$22,855	$11,314	$29,606
(9)	Supervision and Engineering	132	Subtotal Transmission Plant	$77,121	$40,832	$12,998	$6,441	$16,850
(10)	Other Transmission	132	Subtotal Transmission Plant	($41)	($22)	($7)	($3)	($9)
	Total Distribution Expenses							
(11)	Measuring and Regulating Equipment	103	Total Component of Distribution Mains	$174,271	$111,365	$40,240	$22,666	$0
(12)	Mains and Services	107	Mains and Services Plant	$2,391,334	$1,750,956	$444,068	$193,399	$2,911
(13)	Meter, Meter Installation and House Regulator	108	Meters, Meter Installations and House Regu	$296,301	$192,386	$90,724	$11,313	$1,879
(14)	Customer Installation Expenses	3	Number of Bills	$607,264	$550,602	$56,449	$191	$22
(15)	Structures and Improvements Maintenance	103	Total Component of Distribution Mains	$223,774	$142,998	$51,671	$29,105	$0
(16)	Supervision and Engineering	119	Distribution O&M (P/F B)	$558,126	$415,360	$103,247	$38,792	$727
(17)	Other Distribution	119	Distribution O&M (P/F B)	$800,211	$595,521	$148,030	$55,618	$1,043
(18)	Total Customer Accounts Expenses (Excl. Uncoll.)	3	Number of Bills	$3,346,331	$3,034,093	$311,064	$1,054	$120
(19)	Uncollectibles	10	Uncollectibles Analysis	$1,224,481	$928,813	$295,669	$0	$0
(20)	Total Customer Service Expenses	3	Number of Bills	$354,980	$321,857	$32,998	$112	$13
(21)	Total Sales Expenses	117	O&M Without Gas Costs (P/F B)	$66,342	$50,110	$10,924	$2,902	$2,405
	Administrative and General							
(22)	Plant-Related	100	Gross Plant	$625,921	$427,440	$124,769	$46,896	$26,817
(23)	Salaries-Related	125	Labor Allocator	$3,248,823	$2,603,217	$497,468	$141,096	$7,042
(24)	Asset Charge	126	Asset Charge Study	$3,306,657	$2,594,826	$499,080	$135,490	$77,262
(25)	Other	117	O&M Without Gas Costs (P/F B)	$3,643,973	$2,752,395	$600,026	$159,426	$132,126
(26)	Total Proforma B Operating Costs			$23,535,747	$17,926,499	$3,837,967	$1,028,659	$742,622
(27)	Total Depreciation and Amortization Expense			$5,544,105	$3,860,447	$1,065,921	$393,462	$224,275
(28)	Total Proforma B Operating and Maintenance Expenses Before Taxe			$148,073,411	$98,970,684	$46,713,709	$1,422,121	$966,897

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
ALLOCATION OF MISCELLANEOUS REVENUES

; ENDED MARCH 31, 2006
NG: CASE-IN-CHIEF
IESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 5

			Allocation Method	Total	Rate 110	Rate 120/125/145	Rate 160	Rate 170
	PROFORMA A NORMALIZED MISCELLANEOUS REVENUES							
(1)	Rate 70 Margin	28	Proforma A Margins	$139,415	$92,452	$31,183	$10,392	$5,388
	Miscellaneous Revenue							
(2)	Reconnect fees	32	Reconnect Charge Analysis	$44,619	$38,543	$6,076	$0	$0
(3)	Diversion Fees	26	Direct to Residential	$12,561	$12,561	$0	$0	$0
(4)	Forfeited discounts	31	Forfeited Discounts Analysis	$886,566	$632,435	$254,131	$0	$0
(5)	Other - OVH & Rental Property	28	Proforma A Margins	$476,636	$316,079	$106,609	$35,528	$18,420
(6)	Rate 190 Storage Service Revenues	111	Total Storage Plant	$113,861	$67,532	$33,332	$3,998	$8,999
(7)	Total Miscellaneous Revenue:			$1,673,658	$1,159,602	$431,331	$49,919	$32,806
	PROFORMA A EQUALIZED MISCELLANEOUS REVENUES							
(8)	Rate 70 Margin	122	P/F A Equalized Rev. w/ Misc. Rev.	$139,415	$93,714	$43,157	$1,600	$944
	Miscellaneous Revenue							
(9)	Reconnect fees	32	Reconnect Charge Analysis	$44,619	$38,543	$6,076	$0	$0
(10)	Diversion Fees	26	Direct to Residential	$12,561	$12,561	$0	$0	$0
(11)	Forfeited discounts	31	Forfeited Discounts Analysis	$886,566	$632,435	$254,131	$0	$0
(12)	Other - OVH & Rental Property	122	P/F A Equalized Rev. w/ Misc. Rev.	$476,636	$320,392	$147,546	$5,469	$3,229
(13)	Rate 190 Storage Service Revenues	111	Total Storage Plant	$113,861	$67,532	$33,332	$3,998	$8,999
(14)	Total Miscellaneous Revenue:			$1,673,658	$1,165,177	$484,243	$11,067	$13,172
	PROFORMA B EQUALIZED MISCELLANEOUS REVENUES							
(15)	Rate 70 Margin	123	P/F B Equalized Rev. w/ Misc. Rev.	$139,415	$93,376	$42,586	$2,108	$1,345
	Miscellaneous Revenue							
(16)	Reconnect fees	32	Reconnect Charge Analysis	$44,619	$38,543	$6,076	$0	$0
(17)	Diversion Fees	26	Direct to Residential	$12,561	$12,561	$0	$0	$0
(18)	Forfeited discounts	31	Forfeited Discounts Analysis	$886,566	$632,435	$254,131	$0	$0
(19)	Other - OVH & Rental Property	123	P/F B Equalized Rev. w/ Misc. Rev.	$476,636	$319,238	$145,594	$7,205	$4,598
(20)	Rate 190 Storage Service Revenues	111	Total Storage Plant	$156,246	$92,670	$45,740	$5,487	$12,348
(21)	Total Miscellaneous Revenue:			$1,716,043	$1,188,824	$494,128	$14,800	$18,292
	PROFORMA B NORMALIZED MISCELLANEOUS REVENUES							
(22)	Rate 70 Margin	124	P/F B Normal Rev. w/ Misc. Rev.	$139,415	$91,068	$43,886	$2,820	$1,641
	Miscellaneous Revenue							
(23)	Reconnect fees	32	Reconnect Charge Analysis	$44,619	$38,543	$6,076	$0	$0
(24)	Diversion Fees	26	Direct to Residential	$12,561	$12,561	$0	$0	$0
(25)	Forfeited discounts	31	Forfeited Discounts Analysis	$886,566	$632,435	$254,131	$0	$0
(26)	Other - OVH & Rental Property	124	P/F B Normal Rev. w/ Misc. Rev.	$476,636	$311,347	$150,039	$9,640	$5,610
(27)	Rate 190 Storage Service Revenues	111	Total Storage Plant	$156,246	$92,670	$45,740	$5,487	$12,348
(28)	Total Miscellaneous Revenue:			$1,716,043	$1,178,624	$499,872	$17,947	$19,599

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A NORMALIZED TAXES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 6

	No.	ALLOCATION METHOD	Total	Rate 110	Rate 120/125/145	Rate 160	Rate 170
Proforma A Normalized Revenues. w/o Misc. Rev.			$153,360,555	$100,314,004	$49,103,662	$2,574,401	$1,368,488
Proforma A Normalized Miscellaneous Revenues			1,673,658	1,159,602	431,331	49,919	32,806
Proforma A Normalized Rev. w/Misc. Revenue!			$155,034,213	$101,473,606	$49,534,993	$2,624,320	$1,401,294
Indiana Utility Receipts Taxes							
Total Proforma A Normalized Revenues w/ Misc. Rev.			$155,034,213	$101,473,606	$49,534,993	$2,624,320	$1,401,294
Less: Uncollectible Expense	10	Uncollectibles Analysis	(1,147,253)	(870,232)	(277,021)	0	0
Less: Statutory Exemption	121	P/F A Normal Rev. w/ Misc. Rev.	(1,000)	(655)	(320)	(17)	(9)
Income for Utility Receipts Tax			$153,885,959	$100,602,719	$49,257,653	$2,624,303	$1,401,285
Utility Receipts Tax Rate			1.40%	1.40%	1.40%	1.40%	1.40%
Utility Receipts Tax			$2,154,403	$1,408,438	$689,607	$36,740	$19,618
State Income Taxes							
Total Proforma A Normalized Revenues			$155,034,213	$101,473,606	$49,534,993	$2,624,320	$1,401,294
Less: Operation and Maintenance Expenses			(23,447,038)	(18,027,063)	(3,775,266)	(1,026,996)	(617,712)
Less: Gas Costs			(118,993,559)	(77,535,165)	(41,458,394)	0	0
Less: Depreciation			(5,544,105)	(3,860,447)	(1,065,921)	(393,462)	(224,275)
Less: Property Taxes	100	Gross Plant	(902,729)	(616,471)	(179,947)	(67,635)	(38,676)
Less: Other Taxes	115	O&M Without Gas Costs (P/F A)	(6)	(5)	(1)	(0)	(0)
Less: Utility Receipts Tax			0	0	0	0	0
Less: Interest Expense	102	Original Cost Rate Base	(2,855,378)	(1,952,197)	(588,516)	(198,932)	(115,734)
Plus: Non-Deductible Expenses	102	Original Cost Rate Base	273,615	187,068	56,394	19,063	11,090
Income for State Income Taxes			$3,565,012	($330,674)	$2,523,341	$956,358	$415,986
State Income Tax Rate			8.50%	8.50%	8.50%	8.50%	8.50%
State Income Taxes			$303,026	($28,107)	$214,484	$81,290	$35,359
Less: Deferred State Tax Flowback	120	Total Depreciation Expenses	0	0	0	0	0
Total State Tax Liabilit			$303,026	($28,107)	$214,484	$81,291	$35,359

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A NORMALIZED TAXES (Cont.)

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

	No.	ALLOCATION METHOD	Total	Rate 110	Rate 120/125/145	Rate 160	Rate 170
Federal Income Taxes							
Total Proforma A Normalized Revenues			$155,034,213	$101,473,606	$49,534,993	$2,624,320	$1,401,294
Less: Operation and Maintenance Expenses			(23,447,038)	(18,027,063)	(3,775,266)	(1,026,996)	(617,712)
Less: Gas Costs			(118,993,559)	(77,535,165)	(41,458,394)	0	0
Less: Depreciation			(5,544,105)	(3,860,447)	(1,065,921)	(393,462)	(224,275)
Less: Property Taxes			(902,729)	(616,471)	(179,947)	(67,635)	(38,676)
Less: Other Taxes			(6)	(5)	(1)	(0)	(0)
Less: Utility Receipts Tax			(2,154,403)	(1,408,438)	(689,607)	(36,740)	(19,618)
Less: Interest Expense			(2,855,378)	(1,952,197)	(588,516)	(198,932)	(115,734)
Plus: Non-Deductible Expenses	102	Original Cost Rate Base	273,615	187,068	56,394	19,063	11,090
Less: State Income taxes			(303,026)	28,107	(214,484)	(81,291)	(35,359)
Income for Federal Income Taxes			$1,107,582	($1,711,005)	$1,619,250	$838,327	$361,009
Federal Income Tax Rate			35.00%	35.00%	35.00%	35.00%	35.00%
Federal Income Taxes			$387,654	($598,852)	$566,738	$293,415	$126,353
Less: Investment Tax Credit	100	Gross Plant	(70,072)	(47,852)	(13,968)	(5,250)	(3,002)
Less: Deferred Federal Tax Flowback	120	Total Depreciation Expenses	0	0	0	0	0
Total Federal Tax Liabilit			$317,582	($646,704)	$552,770	$288,165	$123,351
Net Operating Income							
Total Proforma A Normalized Margins			$155,034,213	$101,473,606	$49,534,993	$2,624,320	$1,401,294
Less: Operation and Maintenance Expenses			(23,447,038)	(18,027,063)	(3,775,266)	(1,026,996)	(617,712)
Less: Gas Costs			(118,993,559)	(77,535,165)	(41,458,394)	0	0
Less: Depreciation			(5,544,105)	(3,860,447)	(1,065,921)	(393,462)	(224,275)
Less: Other Taxes			(6)	(5)	(1)	(0)	(0)
Less: Utility Receipts Tax			(2,154,403)	(1,408,438)	(689,607)	(36,740)	(19,618)
Less: Property Taxes			(902,729)	(616,471)	(179,947)	(67,635)	(38,676)
Less: State Income Taxes			(303,026)	28,107	(214,484)	(81,291)	(35,359)
Less: Total Federal Income tax Liability			(317,582)	646,704	(552,770)	(288,165)	(123,351)
Net Operating Income			$3,371,763	$700,827	$1,598,603	$730,032	$342,302
Total Rate Base			$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
Rate of Return			2.85%	0.87%	6.55%	8.84%	7.13%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A EQUALIZED TAXES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

	NO.	ALLOCATION METHOD	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
Rate Base			$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
Allowed Rate of Return			2.8458%	2.8458%	2.8458%	2.8458%	2.8458%
Allowed Net Operating Income			$3,371,759	$2,305,242	$694,947	$234,907	$136,663
Federal Income Taxes							
Net Operating Income			$3,371,759	$2,305,242	$694,947	$234,907	$136,663
Less: Interest Expense	102	Original Cost Rate Base	(2,855,378)	(1,952,197)	(588,516)	(198,932)	(115,734)
Plus: Non-Deductible Expenses			273,615	187,068	56,394	19,063	11,090
Plus: Investment Tax Credit	100	Gross Plant	(70,072)	(47,852)	(13,968)	(5,250)	(3,002)
Less: Deferred Federal Tax Flowback	120	Total Depreciation Expenses	0	0	0	0	0
Total Amount to Calculate Federal Taxes			$719,924	$492,261	$148,857	$49,788	$29,018
Federal Tax Factor (Tax Rate/(1-Tax Rate))			53.8462%	53.8462%	53.8462%	53.8462%	53.8462%
Federal Income Taxes Before Flowback			$387,651	$265,064	$80,154	$26,809	$15,625
Less: Deferred Federal Tax Flowback	120	Total Depreciation Expenses	0	0	0	0	0
Less: Investment Tax Credit			(70,072)	(47,852)	(13,968)	(5,250)	(3,002)
Federal Income taxes After Flowback			$317,579	$217,212	$66,186	$21,559	$12,623
State Income Taxes							
Net Operating Income			$3,371,759	$2,305,242	$694,947	$234,907	$136,663
Less: Interest Expense			(2,855,378)	(1,952,197)	(588,516)	(198,932)	(115,734)
Plus: Non-Deductible Expenses			273,615	187,068	56,394	19,063	11,090
Plus: Utility Receipts Tax			$2,154,403	$1,446,792	$668,005	$24,904	$14,702
Plus: Investment Tax Credit			0	0	0	0	0
Plus: Federal Income Taxes			317,579	217,212	66,186	21,559	12,623
Plus: Property taxes	100	Gross Plant	$0	0	0	0	0
Less: Deferred State Tax Flowback	102	Original Cost Rate Base	$0	0	0	0	0
Total Amount to Calculate State Taxes			$3,261,978	$2,204,116	$897,015	$101,502	$59,345
State Tax Factor (Tax Rate/(1-Tax Rate))			9.2896%	9.2896%	9.2896%	9.2896%	9.2896%
State Income Taxes-Current and Deferred			$303,025	$204,754	$83,329	$9,429	$5,513
Less: Deferred State Tax Flowback	102	Original Cost Rate Base	$0	0	0	0	0
State Income Tax After Flowback			$303,025	$204,754	$83,329	$9,429	$5,513

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA A EQUALIZED TAXES (Cont.)

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

	NO.	ALLOCATION METHOD	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
Utility Receipts Taxes							
Net Operating Income			3,371,759	2,305,242	694,947	234,907	136,663
Plus: Operating & Maintenance Expenses			$23,447,038	$18,027,063	$3,775,266	$1,026,996	$617,712
Plus: Gas Costs (Rate 70 + UAFG)			$118,993,559	$77,535,165	$41,458,394	$0	$0
Plus: Depreciation and Amortization Expenses			$5,544,105	$3,860,447	$1,065,921	$393,462	$224,275
Plus: Investment Tax Credit			0	0	0	0	0
Plus: Federal Income Taxes			317,579	217,212	66,186	21,559	12,623
Plus: State Income Taxes			303,025	204,754	83,329	9,429	5,513
Plus: Property taxes			902,729	616,471	179,947	67,635	38,676
Plus: Other Taxes	117	O&M Without Gas Costs (P/F B)	(6)	(5)	(1)	(0)	(0)
Less: Uncollectible Expense	10	Uncollectibles Analysis	(1,147,253)	(870,232)	(277,021)	0	0
Less: Statutory Exemption	121	P/F A Normal Rev. w/ Misc. Rev.	(1,000)	(655)	(320)	(17)	(9)
Total Amount to Calculate Utility Receipts Taxes			$151,731,536	$101,895,462	$47,046,649	$1,753,971	$1,035,454
Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate))			1.4199%	1.4199%	1.4199%	1.4199%	1.4199%
Utility Receipts Taxes			$2,154,403	$1,446,792	$668,005	$24,904	$14,702
Derivation of Proforma A Equalized Revenues							
Net Operating Income			3,371,759	2,305,242	694,947	234,907	136,663
Plus: Operating & Maintenance Expenses			$23,447,038	$18,027,063	$3,775,266	$1,026,996	$617,712
Plus: Gas Costs			118,993,559	77,535,165	41,458,394	0	0
Plus: Depreciation and Amortization Expenses			$5,544,105	$3,860,447	$1,065,921	$393,462	$224,275
Plus: Federal Income Taxes			317,579	217,212	66,186	21,559	12,623
Plus: State Income taxes			303,025	204,754	83,329	9,429	5,513
Plus: Gross Income taxes			2,154,403	1,446,792	668,005	24,904	14,702
Plus: Property taxes			902,729	616,471	179,947	67,635	38,676
Plus: Other Taxes			(6)	(5)	(1)	(0)	(0)
Plus: Investment Tax Credit			0	0	0	0	0
Proforma A Equalized Revenues w/Misc. Rev			$155,034,192	$104,213,141	$47,991,994	$1,778,892	$1,050,165

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B EQUALIZED TAXES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 6

	NO.	ALLOCATION METHOD	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
Rate Base			$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
Allowed Rate of Return			7.9600%	7.9600%	7.9600%	7.9600%	7.9600%
Allowed Net Operating Income			$9,431,041	$6,447,919	$1,943,813	$657,052	$382,257
Federal Income Taxes							
Net Operating Income			$9,431,041	$6,447,919	$1,943,813	$657,052	$382,257
Less: Interest Expense	102	Original Cost Rate Base	(2,855,378)	(1,952,197)	(588,516)	(198,932)	(115,734)
Plus: Non-Deductible Expenses			273,615	187,068	56,394	19,063	11,090
Plus: Investment Tax Credit	100	Gross Plant	(70,072)	(47,852)	(13,968)	(5,250)	(3,002)
Less: Deferred Federal Tax Flowback	120	Total Depreciation Expenses	0	0	0	0	0
Total Amount to Calculate Federal Taxes			$6,779,206	$4,634,939	$1,397,723	$471,933	$274,611
Federal Tax Factor (Tax Rate/(1-Tax Rate))			53.8462%	53.8462%	53.8462%	53.8462%	53.8462%
Federal Income Taxes Before Flowback and ITC			$3,650,342	$2,495,736	$752,620	$254,118	$147,868
Less: Deferred Federal Tax Flowback	120	Total Depreciation Expenses	0	0	0	0	0
Less: Investment Tax Credit			(70,072)	(47,852)	(13,968)	(5,250)	(3,002)
Federal Income Tax Liability			$3,580,270	$2,447,884	$738,652	$248,868	$144,866
State Income Taxes							
Net Operating Income			$9,431,041	$6,447,919	$1,943,813	$657,052	$382,257
Less: Interest Expense			(2,855,378)	(1,952,197)	(588,516)	(198,932)	(115,734)
Plus: Non-Deductible Expenses			273,615	187,068	56,394	19,063	11,090
Plus: Utility Receipts Tax			$2,300,512	$1,539,396	$703,747	$35,019	$22,349
Plus: Investment Tax Credit			0	0	0	0	0
Plus: Federal Income Taxes			3,580,270	2,447,884	738,652	248,868	144,866
Plus: Property Taxes	100	Gross Plant	$0	0	0	0	0
Less: Deferred State Tax Flowback			$0	$0	$0	$0	$0
Total Amount to Calculate State Taxes			$12,730,060	$8,670,071	$2,854,091	$761,070	$444,828
State Tax Factor (Tax Rate/(1-Tax Rate)			9.2896%	9.2896%	9.2896%	9.2896%	9.2896%
State Income Taxes-Current and Deferrec			$1,182,574	$805,416	$265,134	$70,700	$41,323
Less: Deferred State Tax Flowback			$0	$0	$0	$0	$0
State Income Tax Liability			$1,182,574	$805,416	$265,134	$70,700	$41,323

CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B EQUALIZED TAXES (Cont.)

	NO.	ALLOCATION METHOD	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
Utility Receipts Tax							
Net Operating Income			9,431,041	6,447,919	1,943,813	657,052	382,257
Plus: Operating & Maintenance Expenses			$23,535,747	$17,926,499	$3,837,967	$1,028,659	$742,622
Plus: Gas Costs (Rate 70 + UAFG)			$118,993,559	$77,183,738	$41,809,821	$0	$0
Plus: Depreciation and Amortization Expenses			$5,544,105	$3,860,447	$1,065,921	$393,462	$224,275
Plus: Investment Tax Credit	100	Gross Plant	0	0	0	0	0
Plus: Federal Income Taxes			3,580,270	2,447,884	738,652	248,868	144,866
Plus: Property Taxes			902,729	616,471	179,947	67,635	38,676
Plus: State Income Taxes			1,182,574	805,416	265,134	70,700	41,323
Plus: Other Taxes	117	O&M Without Gas Costs (P/F B)	6	5	1	0	0
Less: Uncollectible Expense	10	Uncollectibles Analysis	(1,147,253)	(870,232)	(277,021)	0	0
Less: Statutory Exemption	122	P/F A Equalized Rev. w/ Misc. Rev	(1,000)	(672)	(310)	(11)	(7)
Total Amount to Calculate Utility Receipts Tax			$162,021,778	$108,417,475	$49,563,926	$2,466,364	$1,574,013
Utility Receipts Tax Factor (Tax Rate/(1-Tax Rate))			1.4199%	1.4199%	1.4199%	1.4199%	1.4199%
Utility Receipts Taxes			$2,300,512	$1,539,396	$703,747	$35,019	$22,349
DERIVATION OF PROFORMA B EQUALIZED REVENUES							
Net Operating Income			9,431,041	6,447,919	1,943,813	657,052	382,257
Plus: Operating & Maintenance Expenses			$23,535,747	$17,926,499	$3,837,967	$1,028,659	$742,622
Plus: Gas Costs			118,993,559	77,183,738	41,809,821	0	0
Plus: Depreciation and Amortization Expenses			$5,544,105	$3,860,447	$1,065,921	$393,462	$224,275
Plus: Federal Income Taxes			3,580,270	2,447,884	738,652	248,868	144,866
Plus: State Income Taxes			1,182,574	805,416	265,134	70,700	41,323
Plus: Utility Receipts Taxes			2,300,512	1,539,396	703,747	35,019	22,349
Plus: Property Taxes			902,729	616,471	179,947	67,635	38,676
Plus Other Taxes			6	5	1	0	0
Plus: Investment Tax Credit			0	0	0	0	0
Proforma B Equalized Revenues w/Misc. Rev			$165,470,543	$110,827,776	$50,545,004	$2,501,395	$1,596,368

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B NORMALIZED TAXES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

	NO.	ALLOCATION METHOD	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
SUBSIDY REDUCTION							
Proforma A Normalized Revenues w/Misc. Rev.			$155,034,213	$101,473,606	$49,534,993	$2,624,320	$1,401,294
Less: Proforma A Equalized Revenues w/Misc. Rev.			155,034,192	104,213,141	47,991,994	1,778,892	1,050,165
Proforma A Subsidy			$21	($2,739,535)	$1,542,999	$845,428	$351,129
Proposed Subsidy Reduction Percentage				0.00%	0.00%	0.00%	0.00%
Proforma B Subsidy			$21	($2,739,535)	$1,542,999	$845,428	$351,129
Proforma B Equalized Revenues w/Misc. Rev.			$165,470,543	$110,827,776	$50,545,004	$2,501,395	$1,596,368
Proforma B Normalized Revenues w/Misc. Rev			$165,470,564	$108,088,241	$52,088,003	$3,346,823	$1,947,497
TAX CALCULATIONS							
Utility Receipts Taxes							
Total Proforma B Normal Revenues			$165,470,564	$108,088,241	$52,088,003	$3,346,823	$1,947,497
Less: Uncollectible Expense	10	Uncollectibles Analysis	(1,147,253)	(870,232)	(277,021)	0	0
Less: Statutory Exemption	124	P/F B Normal Rev. w/ Misc. Rev.	(1,000)	(653)	(315)	(20)	(12)
Income for Utility Receipts Taxes			$164,322,311	$107,217,355	$51,810,667	$3,346,803	$1,947,486
Utility Receipts Tax Rate			1.40%	1.40%	1.40%	1.40%	1.40%
Utility Receipts Taxes			$2,300,512	$1,501,043	$725,349	$46,855	$27,265
State Income Taxes							
Total Proforma B Normal Revenues			$165,470,564	$108,088,241	$52,088,003	$3,346,823	$1,947,497
Less: Operation and Maintenance Expenses			(23,535,747)	(17,926,499)	(3,837,967)	(1,028,659)	(742,622)
Less: Gas Costs			(118,993,559)	(77,183,738)	(41,809,821)	0	0
Less: Depreciation Expense			(5,544,105)	(3,860,447)	(1,065,921)	(393,462)	(224,275)
Less: Property Taxes			(902,729)	(616,471)	(179,947)	(67,635)	(38,676)
Less: Other Taxes	117	O&M Without Gas Costs (P/F B)	(6)	(5)	(1)	(0)	(0)
Less: Utility Receipts Tax			0	0	0	0	0
Less: Interest Expense	102	Original Cost Rate Base	(2,855,378)	(1,952,197)	(588,516)	(198,932)	(115,734)
Less: Non-Deductible Expenses			273,615	187,068	56,394	19,063	11,090
Income for State Income Taxes			$13,912,654	$6,735,952	$4,662,224	$1,677,198	$837,280
State Income Tax Rate			8.50%	8.50%	8.50%	8.50%	8.50%
State Income Taxes Before Flowback			$1,182,576	$572,556	$396,289	$142,562	$71,169
Less: Deferred State Tax Flowback			$0	$0	$0	$0	$0
Total State Income Tax Liability			$1,182,576	$572,556	$396,289	$142,562	$71,169

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
CALCULATION OF TAXES, NET OPERATING INCOME AND REVENUES
PROFORMA B NORMALIZED TAXES (Cont.)

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

	NO.	ALLOCATION METHOD	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
Federal Income taxes							
Total Proforma B Normal Revenues			$165,470,564	$108,088,241	$52,088,003	$3,346,823	$1,947,497
Less: Operation and Maintenance Expenses			(23,535,747)	(17,926,499)	(3,837,967)	(1,028,659)	(742,622)
Less: Gas Costs			(118,993,559)	(77,183,738)	(41,809,821)	0	0
Less: Depreciation Expense			(5,544,105)	(3,860,447)	(1,065,921)	(393,462)	(224,275)
Less: Other Taxes			6	5	1	0	0
Less: Property Taxes	100	Gross Plant	(902,729)	(616,471)	(179,947)	(67,635)	(38,676)
Less: Utility Receipts Taxes			(2,300,512)	(1,501,043)	(725,349)	(46,855)	(27,265)
Less: Interest Expense	102	Original Cost Rate Base	(2,855,378)	(1,952,197)	(588,516)	(198,932)	(115,734)
Less: Non-Deductible Expenses			273,615	187,068	56,394	19,063	11,090
Less: State Income taxes			(1,182,576)	(572,556)	(396,289)	(142,562)	(71,169)
Income for Federal Income Taxes			$10,429,579	$4,662,363	$3,540,587	$1,487,782	$738,847
Federal Income Tax Rate			35.00%	35.00%	35.00%	35.00%	35.00%
Federal Income Taxes			$3,650,353	$1,631,827	$1,239,206	$520,724	$258,596
Less: Investment Tax Credit	100	Gross Plant	(70,072)	(47,852)	(13,968)	(5,250)	(3,002)
Less Deferred Federal Tax Flowback	120	Total Depreciation Expenses	0	0	0	0	0
Total Federal Income Tax Liability			$3,580,281	$1,583,975	$1,225,238	$515,474	$255,594
Net Operating Income							
Total Proforma B Normal Revenues w/Misc. Rev.			$165,470,564	$108,088,241	$52,088,003	$3,346,823	$1,947,497
Less: Operation and Maintenance Expenses			(23,535,747)	(17,926,499)	(3,837,967)	(1,028,659)	(742,622)
Less: Gas Costs			(118,993,559)	(77,183,738)	(41,809,821)	0	0
Less: Depreciation Expense			(5,544,105)	(3,860,447)	(1,065,921)	(393,462)	(224,275)
Less: Other Taxes			(6)	(5)	(1)	(0)	(0)
Less: Utility Receipts Taxes			(2,300,512)	(1,501,043)	(725,349)	(46,855)	(27,265)
Less: Property Taxes			(902,729)	(616,471)	(179,947)	(67,635)	(38,676)
Less: State Income Taxes			(1,182,576)	(572,556)	(396,289)	(142,562)	(71,169)
Less: Total Federal Income Tax Liability			(3,580,281)	(1,583,975)	(1,225,238)	(515,474)	(255,594)
Net Operating Income			$9,431,049	$4,843,507	$2,847,470	$1,152,177	$587,896
Total Rate Base			$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
Rate of Return			7.96%	5.98%	11.66%	13.96%	12.24%

SUMMARY OF PROFORMA REVENUES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

	NO.	ALLOCATION METHOD	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
Proforma A Normalized Revenues							
Proforma A Normalized Revenues w/o Misc. Rev.			$153,360,555	$100,314,004	$49,103,662	$2,574,401	$1,368,488
Proforma A Normalized Miscellaneous Revenues			1,673,658	1,159,602	431,331	49,919	32,806
Total Proforma A Normalized Revenues w/Misc. Rev			$155,034,213	$101,473,606	$49,534,993	$2,624,320	$1,401,294
Proforma A Equalized Revenues							
Proforma A Equalized Revenues w/o Misc. Rev.			$153,360,534	$103,047,964	$47,507,752	$1,767,825	$1,036,993
Proforma A Equalized Miscellaneous Revenues			1,673,658	1,165,177	484,243	11,067	13,172
Total Proforma A Equalized Revenues w/Misc. Rev			$155,034,192	$104,213,141	$47,991,994	$1,778,892	$1,050,165
Proforma B Equalized Revenues							
Proforma B Equalized Revenues w/o Misc. Rev.			$163,754,501	$109,638,952	$50,050,877	$2,486,595	$1,578,077
Proforma B Equalized Miscellaneous Revenues			1,716,043	1,188,824	494,128	14,800	18,292
Total Proforma B Equalized Revenues w/Misc. Rev			$165,470,543	$110,827,776	$50,545,004	$2,501,395	$1,596,368
Proforma B Normalized Revenues							
Proforma B Normalized Revenues w/o Misc. Rev.			$163,754,521	$106,909,616	$51,588,131	$3,328,876	$1,927,898
Proforma B Normalized Miscellaneous Revenues			1,716,043	1,178,624	499,872	17,947	19,599
Total Proforma B Normalized Revenues w/Misc. Rev			$165,470,564	$108,088,241	$52,088,003	$3,346,823	$1,947,497

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
EQUALIZED COST OF SERVICE AT PRESENT RATES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 7
PAGE 1 OF 4

	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
OPERATING REVENUES:					
Revenue from Gas Sales	$153,360,534	$103,047,964	$47,507,752	$1,767,825	$1,036,993
Miscellaneous Revenues	1,673,658	1,165,177	484,243	11,067	13,172
Total Operating Revenues	$155,034,192	$104,213,141	$47,991,994	$1,778,892	$1,050,165
OPERATING EXPENSES					
Cost of Gas					
Commodity Cost of Purchased Gas	$108,932,535	$70,657,776	$38,274,759	$0	$0
Demand Cost of Purchased Gas	$8,626,249	$5,946,739	$2,679,510	$0	$0
Unaccounted for Gas Costs (Sales Only)	$1,434,775	$930,650	$504,126	$0	$0
Total Underground Storage Expense	$660,594	$391,802	$193,386	$23,198	$52,208
Total Transmission Expenses					
Mains	$1,560,515	$826,611	$263,012	$130,196	$340,697
Structures and Improvements	$233,159	$123,505	$39,297	$19,453	$50,904
Measuring and Regulating Equipment	$135,607	$71,832	$22,855	$11,314	$29,606
Supervision and Engineering	$77,121	$40,832	$12,998	$6,441	$16,850
Other Transmission	($41)	($22)	($7)	($3)	($9)
Total Distribution Expenses					
Measuring and Regulating Equipment	$174,271	$111,365	$40,240	$22,666	$0
Mains and Services	$2,391,334	$1,750,956	$444,068	$193,399	$2,911
Meter, Meter Installation and House Regulator	$296,301	$192,386	$90,724	$11,313	$1,879
Customer Installation Expenses	$607,264	$550,602	$56,449	$191	$22
Structures and Improvements Maintenance	$223,774	$142,998	$51,671	$29,105	$0
Supervision and Engineering	$558,126	$415,360	$103,247	$38,792	$727
Other Distribution	$800,211	$595,521	$148,030	$55,618	$1,043
Total Customer Accounts Expenses (Excl. Uncoll.)	$3,346,331	$3,034,093	$311,064	$1,054	$120
Uncollectibles	$1,147,253	$870,232	$277,021	$0	$0
Total Customer Service Expenses	$354,980	$321,857	$32,998	$112	$13
Total Sales Expenses	$66,342	$51,006	$10,682	$2,906	$1,748
Administrative and Genera	$10,813,895	$8,536,126	$1,677,533	$481,241	$118,995
Total Depreciation and Amortization Expens	$5,544,105	3,860,447	1,065,921	393,462	224,275
Other Taxes	(6)	(5)	(1)	(0)	(0)
Property Taxes	902,729	616,471	179,947	67,635	38,676
Utility Receipts Taxes	2,154,403	1,446,792	668,005	24,904	14,702
State Income Taxes	303,025	204,754	83,329	9,429	5,513
Federal Income Taxes	317,579	217,212	66,186	21,559	12,623
Total Operating Expenses	$151,662,433	$101,907,899	$47,297,048	$1,543,985	$913,501
Net Operating Income	$3,371,759	$2,305,242	$694,947	$234,907	$136,663
Total Rate Base	$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
Rate of Return	2.85%	2.85%	2.85%	2.85%	2.85%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
NORMALIZED COST OF SERVICE AT PRESENT RATES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 7
PAGE 2 OF 4

	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
OPERATING REVENUES:					
Revenue from Gas Sales	$153,360,555	$100,314,004	$49,103,662	$2,574,401	$1,368,488
Miscellaneous Revenues	1,673,658	1,159,602	431,331	49,919	32,806
Total Operating Revenues	$155,034,213	$101,473,606	$49,534,993	$2,624,320	$1,401,294
OPERATING EXPENSES					
Cost of Gas					
Commodity Cost of Purchased Gas	$108,932,535	$70,657,776	$38,274,759	$0	$0
Demand Cost of Purchased Gas	$8,626,249	$5,946,739	$2,679,510	$0	$0
Unaccounted for Gas Costs (Sales Only)	$1,434,775	$930,650	$504,126	$0	$0
Total Underground Storage Expense	$660,594	$391,802	$193,386	$23,198	$52,208
Total Transmission Expenses					
Mains	$1,560,515	$826,611	$263,012	$130,196	$340,697
Structures and Improvements	$233,159	$123,505	$39,297	$19,453	$50,904
Measuring and Regulating Equipment	$135,607	$71,832	$22,855	$11,314	$29,606
Supervision and Engineering	$77,121	$40,832	$12,998	$6,441	$16,850
Other Transmission	($41)	($22)	($7)	($3)	($9)
Total Distribution Expenses					
Measuring and Regulating Equipment	$174,271	$111,365	$40,240	$22,666	$0
Mains and Services	$2,391,334	$1,750,956	$444,068	$193,399	$2,911
Meter, Meter Installation and House Regulator	$296,301	$192,386	$90,724	$11,313	$1,879
Customer Installation Expenses	$607,264	$550,602	$56,449	$191	$22
Structures and Improvements Maintenance	$223,774	$142,998	$51,671	$29,105	$0
Supervision and Engineering	$558,126	$415,360	$103,247	$38,792	$727
Other Distribution	$800,211	$595,521	$148,030	$55,618	$1,043
Total Customer Accounts Expenses (Excl. Uncoll.)	$3,346,331	$3,034,093	$311,064	$1,054	$120
Uncollectibles	$1,147,253	$870,232	$277,021	$0	$0
Total Customer Service Expenses	$354,980	$321,857	$32,998	$112	$13
Total Sales Expenses	$66,342	$51,006	$10,682	$2,906	$1,748
Administrative and General	$10,813,895	$8,536,126	$1,677,533	$481,241	$118,995
Total Depreciation and Amortization Expens	$5,544,105	3,860,447	1,065,921	393,462	224,275
Other Taxes	(6)	(5)	(1)	(0)	(0)
Property Taxes	902,729	616,471	179,947	67,635	38,676
Utility Receipts Taxes	2,154,403	1,408,438	689,607	36,740	19,618
State Income Taxes	303,026	(28,107)	214,484	81,291	35,359
Federal Income Taxes	317,582	(646,704)	552,770	288,165	123,351
Total Operating Expenses	$151,662,437	$100,772,769	$47,936,389	$1,894,288	$1,058,992
Net Operating Income	$3,371,776	$700,837	$1,598,605	$730,032	$342,302
Total Rate Base	$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
Rate of Return	2.85%	0.87%	6.55%	8.84%	7.13%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
EQUALIZED COST OF SERVICE AT PROPOSED RATES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 7

	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
OPERATING REVENUES:					
Revenue from Gas Sales	$163,754,501	$109,638,952	$50,050,877	$2,486,595	$1,578,077
Miscellaneous Revenues	1,716,043	1,188,824	494,128	14,800	18,292
Total Operating Revenues	$165,470,543	$110,827,776	$50,545,004	$2,501,395	$1,596,368
OPERATING EXPENSES					
Cost of Gas					
Commodity Cost of Purchased Gas	$108,932,535	$70,657,776	$38,274,759	$0	$0
Demand Cost of Purchased Gas	$8,626,249	$5,595,312	$3,030,937	$0	$0
Unaccounted for Gas Costs (Sales Only)	$1,434,775	$930,650	$504,126	$0	$0
Total Underground Storage Expense	$660,594	$391,802	$193,386	$23,198	$52,208
Total Transmission Expenses					
Mains	$1,560,515	$826,611	$263,012	$130,196	$340,697
Structures and Improvements	$233,159	$123,505	$39,297	$19,453	$50,904
Measuring and Regulating Equipment	$135,607	$71,832	$22,855	$11,314	$29,606
Supervision and Engineering	$77,121	$40,832	$12,998	$6,441	$16,850
Other Transmission	($41)	($22)	($7)	($3)	($9)
Total Distribution Expenses					
Measuring and Regulating Equipment	$174,271	$111,365	$40,240	$22,666	$0
Mains and Services	$2,391,334	$1,750,956	$444,068	$193,399	$2,911
Meter, Meter Installation and House Regulator	$296,301	$192,386	$90,724	$11,313	$1,879
Customer Installation Expenses	$607,264	$550,602	$56,449	$191	$22
Structures and Improvements Maintenance	$223,774	$142,998	$51,671	$29,105	$0
Supervision and Engineering	$558,126	$415,360	$103,247	$38,792	$727
Other Distribution	$800,211	$595,521	$148,030	$55,618	$1,043
Total Customer Accounts Expenses (Excl. Uncoll.)	$3,346,331	$3,034,093	$311,064	$1,054	$120
Uncollectibles	$1,224,481	$928,813	$295,669	$0	$0
Total Customer Service Expenses	$354,980	$321,857	$32,998	$112	$13
Total Sales Expenses	$66,342	$50,110	$10,924	$2,902	$2,405
Administrative and General	$10,825,375	$8,377,878	$1,721,343	$482,908	$243,247
Total Depreciation and Amortization Expens	$5,544,105	$3,860,447	$1,065,921	$393,462	$224,275
Other Taxes	6	5	1	0	0
Property Taxes	902,729	616,471	179,947	67,635	38,676
Utility Receipts Taxes	2,300,512	1,539,396	703,747	35,019	22,349
State Income Taxes	1,182,574	805,416	265,134	70,700	41,323
Federal Income Taxes	3,580,270	2,447,884	738,652	248,868	144,866
Total Operating Expenses	$156,039,503	$104,379,857	$48,601,191	$1,844,343	$1,214,111
Net Operating Income	$9,431,041	$6,447,919	$1,943,813	$657,052	$382,257
Total Rate Base	$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
Rate of Return	7.96%	7.96%	7.96%	7.96%	7.96%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
NORMALIZED COST OF SERVICE AT PROPOSED RATES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-2
SCHEDULE 7
PAGE 4 OF 4

	TOTAL	Rate 110	Rate 120/125/145	Rate 160	Rate 170
OPERATING REVENUES:					
Revenue from Gas Sales	$163,754,521	$106,909,616	$51,588,131	$3,328,876	$1,927,898
Miscellaneous Revenues	1,716,043	1,178,624	499,872	17,947	19,599
Total Operating Revenues	$165,470,564	$108,088,241	$52,088,003	$3,346,823	$1,947,497
OPERATING EXPENSES					
Cost of Gas					
Commodity Cost of Purchased Gas	$108,932,535	$70,657,776	$38,274,759	$0	$0
Demand Cost of Purchased Gas	$8,626,249	$5,595,312	$3,030,937	$0	$0
Unaccounted for Gas Costs (Sales Only)	$1,434,775	$930,650	$504,126	$0	$0
Total Underground Storage Expense	$660,594	$391,802	$193,386	$23,198	$52,208
Total Transmission Expenses					
Mains	$1,560,515	$826,611	$263,012	$130,196	$340,697
Structures and Improvements	$233,159	$123,505	$39,297	$19,453	$50,904
Measuring and Regulating Equipment	$135,607	$71,832	$22,855	$11,314	$29,606
Supervision and Engineering	$77,121	$40,832	$12,998	$6,441	$16,850
Other Transmission	($41)	($22)	($7)	($3)	($9)
Total Distribution Expenses					
Measuring and Regulating Equipment	$174,271	$111,365	$40,240	$22,666	$0
Mains and Services	$2,391,334	$1,750,956	$444,068	$193,399	$2,911
Industrial Measuring and Regulating Equipment	$0	$0	$0	$0	$0
Meter, Meter Installation and House Regulator	$296,301	$192,386	$90,724	$11,313	$1,879
Customer Installation Expenses	$607,264	$550,602	$56,449	$191	$22
Structures and Improvements Maintenance	$223,774	$142,998	$51,671	$29,105	$0
Supervision and Engineering	$558,126	$415,360	$103,247	$38,792	$727
Other Distribution	$800,211	$595,521	$148,030	$55,618	$1,043
Total Customer Accounts Expenses (Excl. Uncoll.)	$3,346,331	$3,034,093	$311,064	$1,054	$120
Uncollectibles	$1,224,481	$928,813	$295,669	$0	$0
Total Customer Service Expenses	$354,980	$321,857	$32,998	$112	$13
Total Sales Expenses	$66,342	$50,110	$10,924	$2,902	$2,405
Administrative and General	$10,825,375	$8,377,878	$1,721,343	$482,908	$243,247
Total Depreciation and Amortization Expens	5,544,105	3,860,447	1,065,921	393,462	224,275
Other Taxes	(6)	(5)	(1)	(0)	(0)
Property Taxes	902,729	616,471	179,947	67,635	38,676
Utility Receipts Taxes	2,300,512	1,501,043	725,349	46,855	27,265
State Income Taxes	1,182,576	572,556	396,289	142,562	71,169
Federal Income Taxes	3,580,281	1,583,975	1,225,238	515,474	255,594
Total Operating Expenses	$156,039,503	$103,244,724	$49,240,531	$2,194,646	$1,359,601
Net Operating Income	$9,431,061	$4,843,516	$2,847,472	$1,152,177	$587,896
Total Rate Base	$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
Rate of Return	7.96%	5.98%	11.66%	13.96%	12.24%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA A REVENUES
AT PRESENT RATES OF RETURN

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-3
SCHEDULE 1

Line No.	Description (Column A)	Total (B)	Rate 110 (C)	Rate 120/125/145 (D)	Rate 160 (E)	Rate 170 (F)
	Operating Revenues					
1	Revenues From Gas Sales	$153,360,555	$100,314,004	$49,103,662	$2,574,401	$1,368,488
2	Miscellaneous Revenues	$1,673,658	$1,159,602	$431,331	$49,919	$32,806
3	Total	$155,034,213	$101,473,606	$49,534,993	$2,624,320	$1,401,294
	Operating Expenses					
4	Operation and Maintenance	$142,440,598	$95,562,228	$45,233,661	$1,026,996	$617,712
5	Depreciation and Amortization	5,544,105	3,860,447	1,065,921	393,462	224,275
6	Federal Income Taxes	317,582	(646,704)	552,770	288,165	123,351
7	State Income Taxes	303,026	(28,107)	214,484	81,291	35,359
8	Taxes Other Than Income Taxes	3,057,126	2,024,904	869,553	104,375	58,294
9	Total	$151,662,437	$100,772,769	$47,936,389	$1,894,288	$1,058,992
10	*Net Operating Income*	$3,371,776	$700,837	$1,598,605	$730,032	$342,302
11	Original Cost Rate Base	$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
12	Rate Of Return On Original Cost Rate Base	2.85%	0.87%	6.55%	8.84%	7.13%
13	Earnings Index	100%	30%	230%	311%	250%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA A REVENUES
AT EQUALIZED RATES OF RETURN

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-3
SCHEDULE 2

Line No.	Description (Column A)	Total (B)	Rate 110 (C)	Rate 120/125/145 (D)	Rate 160 (E)	Rate 170 (F)
	Operating Revenues					
1	Revenues From Gas Sales	$153,360,534	$103,047,964	$47,507,752	$1,767,825	$1,036,993
2	Miscellaneous Revenues	$1,673,658	$1,165,177	$484,243	$11,067	$13,172
3	Total	$155,034,192	$104,213,141	$47,991,994	$1,778,892	$1,050,165
	Operating Expenses					
4	Operation and Maintenance	$142,440,598	$95,562,228	$45,233,661	$1,026,996	$617,712
5	Depreciation and Amortization	5,544,105	3,860,447	1,065,921	393,462	224,275
6	Federal Income Taxes	317,579	217,212	66,186	21,559	12,623
7	State Income Taxes	303,025	204,754	83,329	9,429	5,513
8	Taxes Other Than Income Taxes	3,057,126	2,063,258	847,951	92,539	53,378
9	Total	$151,662,433	$101,907,899	$47,297,048	$1,543,985	$913,501
10	Net Operating Income	$3,371,759	$2,305,242	$694,947	$234,907	$136,663
11	Original Cost Rate Base	$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
12	Rate Of Return On Original Cost Rate Base	2.85%	2.85%	2.85%	2.85%	2.85%
13	Earnings Index	100%	100%	100%	100%	100%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA B REVENUES
AT EQUALIZED RATES OF RETURN

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-3
SCHEDULE 3

Line No.	Description (Column A)	Total (B)	Rate 110 (C)	Rate 120/125/145 (D)	Rate 160 (E)	Rate 170 (F)
	Operating Revenues					
1	Revenues From Gas Sales	$163,754,501	$109,638,952	$50,050,877	$2,486,595	$1,578,077
2	Miscellaneous Revenues	$1,716,043	$1,188,824	$494,128	$14,800	$18,292
3	Total	$165,470,543	$110,827,776	$50,545,004	$2,501,395	$1,596,368
	Operating Expenses					
4	Operation and Maintenance	$142,529,307	$95,110,237	$45,647,788	$1,028,659	$742,622
5	Depreciation and Amortization	5,544,105	3,860,447	1,065,921	393,462	224,275
6	Federal Income Taxes	3,580,270	2,447,884	738,652	248,868	144,866
7	State Income Taxes	1,182,574	805,416	265,134	70,700	41,323
8	Taxes Other Than Income Taxes	3,203,248	2,155,872	883,695	102,654	61,026
9	Total	$156,039,503	$104,379,857	$48,601,191	$1,844,343	$1,214,111
10	Net Operating Income	$9,431,041	$6,447,919	$1,943,813	$657,052	$382,257
11	Original Cost Rate Base	$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
12	Rate Of Return On Original Cost Rate Base	7.96%	7.96%	7.96%	7.96%	7.96%
13	Earnings Index	100%	100%	100%	100%	100%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
STATEMENT OF OPERATING INCOME BASED UPON PROFORMA B REVENUES
AT PROPOSED RATES OF RETURN

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-3
SCHEDULE 4

Line No.	Description (Column A)	Total (B)	Rate 110 (C)	Rate 120/125/145 (D)	Rate 160 (E)	Rate 170 (F)
	Operating Revenues					
1	Revenues From Gas Sales	$163,754,521	$106,909,616	$51,588,131	$3,328,876	$1,927,898
2	Miscellaneous Revenues	$1,716,043	$1,178,624	$499,872	$17,947	$19,599
3	Total	$165,470,564	$108,088,241	$52,088,003	$3,346,823	$1,947,497
	Operating Expenses					
4	Operation and Maintenance	$142,529,307	$95,110,237	$45,647,788	$1,028,659	$742,622
5	Depreciation and Amortization	5,544,105	3,860,447	1,065,921	393,462	224,275
6	Federal Income Taxes	3,580,281	1,583,975	1,225,238	515,474	255,594
7	State Income Taxes	1,182,576	572,556	396,289	142,562	71,169
8	Taxes Other Than Income Taxes	3,203,235	2,117,509	905,295	114,490	65,941
9	Total	$156,039,503	$103,244,724	$49,240,531	$2,194,646	$1,359,601
10	Net Operating Income	$9,431,061	$4,843,516	$2,847,472	$1,152,177	$587,896
11	Original Cost Rate Base	$118,480,432	$81,004,019	$24,419,766	$8,254,422	$4,802,226
12	Rate Of Return On Original Cost Rate Base	7.96%	5.98%	11.66%	13.96%	12.24%
13	Earnings Index	100%	75%	146%	175%	154%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
COMPARISON OF PROFORMA OPERATING REVENUES AND RESULTING DOLLAR SUBSIDY
LEVELS AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-4
SCHEDULE 1

		PROFORMA REVENUES - PRESENT RATES			PROFORMA REVENUES - PROPOSED RATES				
								Subsidy Reduction	
Line No.	Rate Schedule (A)	Revenues At Present Rates (B)	Revenues Required For Equalized Returns (C)	Present Subsidy (D)	Revenues Required For Equalized Returns (E)	Revenues At Proposed Rates (F)	Proposed Subsidy (G)	Amount (H)	Percentage (I)
1	Rate 110	$101,473,606	$104,213,141	($2,739,535)	$110,827,776	$108,088,241	($2,739,535)	$0	0.00%
2	Rate 120/125/145	$49,534,993	$47,991,994	$1,542,999	$50,545,004	$52,088,003	$1,542,999	$0	0.00%
3	Rate 160	$2,624,320	$1,778,892	$845,428	$2,501,395	$3,346,823	$845,428	$0	0.00%
4	Rate 170	$1,401,294	$1,050,165	$351,129	$1,596,368	$1,947,497	$351,129	$0	0.00%
5	Total	$155,034,213	$155,034,192	$21	$165,470,544	$165,470,564	$21	$0	

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
COMPARISON OF EARNINGS INDICES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-4
SCHEDULE 2

		PRESENT RATES		PROPOSED RATES	
Line No.	Rate Schedule (A)	Present Rates of Return (B)	Present Earnings Index (C)	Proposed Rates of Return (D)	Proposed Earnings Index (E)
1	Rate 110	0.87%	30%	5.98%	75%
2	Rate 120/125/145	6.55%	230%	11.66%	146%
3	Rate 160	8.84%	311%	13.96%	175%
4	Rate 170	7.13%	250%	12.24%	154%
5	Total	2.85%	100%	7.96%	100%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
COMPARISON OF GAS SALES REVENUES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-5

		GAS SALES REVENUES			
Line No.	Rate Schedule (A)	Revenues At Present Rates (B)	Revenues At Proposed Rates (C)	Increase or (Decrease) Amount (D)	Increase or (Decrease) Percentage (E)
1	Rate 110	$100,314,004	$106,909,616	$6,595,612	6.57%
2	Rate 120/125/145	$49,103,662	$51,588,131	$2,484,469	5.06%
3	Rate 160	$2,574,401	$3,328,876	$754,475	29.31%
4	Rate 170	$1,368,488	$1,927,898	$559,411	40.88%
5	Total	$153,360,555	$163,754,521	$10,393,966	6.78%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
RATE 110 - RESIDENTIAL SALES SERVICE

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-6
SCHEDULE 1

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	($)	($)	($)	(%)
1	0	$10.75	$16.00	$5.25	48.84%
2	10	$22.57	$27.87	$5.30	23.46%
3	20	$34.40	$39.74	$5.34	15.53%
4	30	$46.22	$51.61	$5.39	11.66%
5	40	$58.04	$63.48	$5.43	9.36%
6	50	$69.86	$75.35	$5.48	7.84%
7	60	$81.33	$86.84	$5.50	6.76%
8	70	$92.80	$98.33	$5.52	5.95%
9	80	$104.27	$109.82	$5.54	5.31%
10	90	$115.74	$121.31	$5.56	4.80%
11	100	$127.21	$132.80	$5.58	4.39%
12	125	$155.89	$161.52	$5.63	3.61%
13	150	$184.56	$190.25	$5.68	3.08%
14	175	$213.24	$218.97	$5.73	2.69%
15	200	$241.91	$247.70	$5.78	2.39%
16	225	$270.59	$276.42	$5.83	2.16%
17	250	$299.26	$305.15	$5.88	1.97%
18	275	$327.94	$333.87	$5.93	1.81%
19	300	$356.61	$362.60	$5.98	1.68%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
BILL IMPACTS FOR AVERAGE RESIDENTIAL CUSTOMER

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-6
SCHEDULE 2

Month	Usage (therms)	Present Rate	Proposed Rate	Increase Amount	Increase Percent
January	152.2	$187.07	$192.76	$5.69	3.0%
February	121.1	$151.43	$157.06	$5.62	3.7%
March	116.9	$146.58	$152.20	$5.61	3.8%
April	79.7	$103.91	$109.45	$5.54	5.3%
May	38.8	$56.62	$62.05	$5.43	9.6%
June	18.2	$32.25	$37.58	$5.33	16.5%
July	13.3	$26.51	$31.82	$5.31	20.0%
August	12.3	$25.25	$30.55	$5.31	21.0%
September	13.7	$26.94	$32.25	$5.31	19.7%
October	15.1	$28.65	$33.97	$5.32	18.6%
November	41.0	$59.26	$64.70	$5.44	9.2%
December	121.7	$152.07	$157.69	$5.62	3.7%
Total	744.0	$996.54	$1,062.08	$65.54	6.6%
	0.0				

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
RATE 120/125 - GENERAL SALES
GROUP 1 METERS

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-6
SCHEDULE 3

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	($)	($)	($)	(%)
1	0	$20.00	$24.00	$4.00	20.00%
2	10	$31.32	$35.73	$4.41	14.09%
3	20	$42.64	$47.46	$4.83	11.32%
4	30	$53.96	$59.20	$5.24	9.71%
5	40	$65.28	$70.93	$5.65	8.66%
6	50	$76.60	$82.66	$6.06	7.92%
7	100	$133.19	$141.32	$8.13	6.10%
8	150	$189.79	$199.98	$10.19	5.37%
9	200	$246.38	$258.64	$12.25	4.97%
10	250	$302.98	$317.29	$14.31	4.73%
11	300	$359.58	$375.95	$16.38	4.56%
12	350	$416.17	$434.61	$18.44	4.43%
13	400	$472.77	$493.27	$20.50	4.34%
14	450	$529.36	$551.93	$22.57	4.26%
15	500	$585.96	$610.59	$24.63	4.20%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
RATE 120/125 - GENERAL SALES
GROUP 2 METERS

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-6
SCHEDULE 4

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	($)	($)	($)	(%)
1	0	$34.00	$50.00	$16.00	47.06%
2	100	$147.19	$167.32	$20.13	13.67%
3	200	$260.38	$284.64	$24.25	9.31%
4	300	$373.58	$401.95	$28.38	7.60%
5	400	$486.77	$519.27	$32.50	6.68%
6	500	$599.96	$636.59	$36.63	6.11%
7	600	$710.57	$750.35	$39.77	5.60%
8	700	$821.18	$864.10	$42.92	5.23%
9	800	$931.80	$977.86	$46.07	4.94%
10	900	$1,042.41	$1,091.62	$49.21	4.72%
11	1,000	$1,153.02	$1,205.38	$52.36	4.54%
12	1,500	$1,706.08	$1,774.16	$68.09	3.99%
13	2,000	$2,259.14	$2,342.95	$83.81	3.71%
14	2,500	$2,812.20	$2,911.74	$99.54	3.54%
15	3,000	$3,365.26	$3,480.53	$115.27	3.43%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
RATE 120/125 - GENERAL SALES
GROUP 3 METERS

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-6
SCHEDULE 5

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	($)	($)	($)	(%)
1	0	$70.00	$100.00	$30.00	42.9%
2	500	$635.96	$686.59	$50.63	8.0%
3	1,000	$1,189.02	$1,255.38	$66.36	5.6%
4	1,500	$1,742.08	$1,824.16	$82.09	4.7%
5	2,000	$2,295.14	$2,392.95	$97.81	4.3%
6	2,500	$2,848.20	$2,961.74	$113.54	4.0%
7	3,000	$3,401.26	$3,530.53	$129.27	3.8%
8	3,500	$3,954.32	$4,099.32	$145.00	3.7%
9	4,000	$4,507.38	$4,668.11	$160.73	3.6%
10	4,500	$5,060.44	$5,236.89	$176.46	3.5%
11	5,000	$5,613.50	$5,805.68	$192.19	3.4%
12	6,000	$6,719.61	$6,943.26	$223.64	3.3%
13	7,000	$7,825.73	$8,080.84	$255.10	3.3%
14	8,000	$8,931.85	$9,218.41	$286.56	3.2%
15	9,000	$10,037.97	$10,355.99	$318.02	3.2%
16	10,000	$11,144.09	$11,493.57	$349.47	3.1%
17	15,000	$16,674.69	$17,181.45	$506.76	3.0%
18	20,000	$22,205.28	$22,869.33	$664.05	3.0%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
RATE 145 - GENERAL TRANSPORTATION SERVICE
GROUP 1 METERS
CURRENT RATES: RATE 120 GAS TRANSPORTATION SERVICE

DATA: 12 MONTHS ENDED MARCH 31, 2006 — **PETITIONER'S EXHIBIT NO. KAH-6**
TYPE OF FILING: CASE-IN-CHIEF — **SCHEDULE 6**
WITNESS: HEID

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	($)	($)	($)	(%)
1	0	$95.00	$24.00	($71.00)	-74.7%
2	10	$96.10	$25.30	($70.80)	-73.7%
3	20	$97.20	$26.60	($70.60)	-72.6%
4	30	$98.30	$27.91	($70.39)	-71.6%
5	40	$99.40	$29.21	($70.19)	-70.6%
6	50	$100.50	$30.51	($69.99)	-69.6%
7	100	$106.01	$37.02	($68.98)	-65.1%
8	150	$111.51	$43.54	($67.97)	-61.0%
9	200	$117.01	$50.05	($66.96)	-57.2%
10	250	$122.51	$56.56	($65.95)	-53.8%
11	300	$128.02	$63.07	($64.95)	-50.7%
12	350	$133.52	$69.58	($63.94)	-47.9%
13	400	$139.02	$76.09	($62.93)	-45.3%
14	450	$144.53	$82.61	($61.92)	-42.8%
15	500	$150.03	$89.12	($60.91)	-40.6%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
RATE 145 - GENERAL TRANSPORTATION SERVICE
GROUP 2 METERS
CURRENT RATES: RATE 120 GAS TRANSPORTATION SERVICE

DATA: 12 MONTHS ENDED MARCH 31, 2006 — **PETITIONER'S EXHIBIT NO. KAH-6**
TYPE OF FILING: CASE-IN-CHIEF — **SCHEDULE 7**
WITNESS: HEID

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	($)	($)	($)	(%)
1	0	$109.00	$50.00	($59.00)	-54.1%
2	100	$120.01	$63.02	($56.98)	-47.5%
3	200	$131.01	$76.05	($54.96)	-42.0%
4	300	$142.02	$89.07	($52.95)	-37.3%
5	400	$153.02	$102.09	($50.93)	-33.3%
6	500	$164.03	$115.12	($48.91)	-29.8%
7	600	$172.45	$124.58	($47.87)	-27.8%
8	700	$180.88	$134.05	($46.83)	-25.9%
9	800	$189.30	$143.51	($45.80)	-24.2%
10	900	$197.73	$152.97	($44.76)	-22.6%
11	1,000	$206.16	$162.44	($43.72)	-21.2%
12	1,500	$248.28	$209.76	($38.53)	-15.5%
13	2,000	$290.41	$257.07	($33.34)	-11.5%
14	2,500	$332.54	$304.39	($28.15)	-8.5%
15	3,000	$374.67	$351.71	($22.96)	-6.1%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
RATE 145 - GENERAL TRANSPORTATION SERVICE
GROUP 3 METERS
CURRENT RATES: RATE 120 GAS TRANSPORTATION SERVICE

DATA: 12 MONTHS ENDED MARCH 31, 2006 — **PETITIONER'S EXHIBIT NO. KAH-6**
TYPE OF FILING: CASE-IN-CHIEF — **SCHEDULE 8**
WITNESS: HEID

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	($)	($)	($)	(%)
1	0	$145.00	$100.00	($45.00)	-31.0%
2	500	$200.03	$165.12	($34.91)	-17.5%
3	1,000	$242.16	$212.44	($29.72)	-12.3%
4	1,500	$284.28	$259.76	($24.53)	-8.6%
5	2,000	$326.41	$307.07	($19.34)	-5.9%
6	2,500	$368.54	$354.39	($14.15)	-3.8%
7	3,000	$410.67	$401.71	($8.96)	-2.2%
8	3,500	$452.80	$449.03	($3.77)	-0.8%
9	4,000	$494.92	$496.35	$1.42	0.3%
10	4,500	$537.05	$543.67	$6.61	1.2%
11	5,000	$579.18	$590.98	$11.80	2.0%
12	6,000	$663.44	$685.62	$22.18	3.3%
13	7,000	$747.69	$780.26	$32.57	4.4%
14	8,000	$831.95	$874.89	$42.95	5.2%
15	9,000	$916.20	$969.53	$53.33	5.8%
16	10,000	$1,000.46	$1,064.17	$63.71	6.4%
17	15,000	$1,421.74	$1,537.35	$115.61	8.1%
18	20,000	$1,843.02	$2,010.53	$167.51	9.1%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
RATE 160 - LARGE VOLUME TRANSPORTATION SERVICE

DATA: 12 MONTHS ENDED MARCH 31, 2006 — **PETITIONER'S EXHIBIT NO. KAH-6**
TYPE OF FILING: CASE-IN-CHIEF — **SCHEDULE 9**
WITNESS: HEID

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	($)	($)	($)	(%)
1	0	$200.00	$400.00	$200.00	100.0%
2	35,000	$2,056.49	$2,893.49	$837.00	40.7%
3	40,000	$2,321.70	$3,249.70	$928.00	40.0%
4	45,000	$2,586.91	$3,605.91	$1,019.00	39.4%
5	50,000	$2,852.13	$3,962.13	$1,110.00	38.9%
6	100,000	$5,294.26	$7,029.26	$1,735.00	32.8%
7	150,000	$7,736.38	$10,096.38	$2,360.00	30.5%
8	200,000	$10,178.51	$13,163.51	$2,985.00	29.3%
9	250,000	$12,620.64	$16,230.64	$3,610.00	28.6%
10	300,000	$14,902.77	$18,832.77	$3,930.00	26.4%
11	350,000	$17,184.89	$21,434.89	$4,250.00	24.7%
12	400,000	$19,467.02	$24,037.02	$4,570.00	23.5%
13	450,000	$21,749.15	$26,639.15	$4,890.00	22.5%
14	500,000	$24,031.28	$29,241.28	$5,210.00	21.7%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
TYPICAL BILL COMPARISON
RATE 170 - CONTRACT TRANSPORTATION SERVICE

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-6
SCHEDULE 10

LINE NO.	LEVEL OF USAGE (A)	CURRENT BILL (B)	PROPOSED BILL (C)	DOLLAR INCREASE (C - B) (D)	PERCENT INCREASE (D / B) (E)
	(therms)	($)	($)	($)	(%)
1	0	$350.00	$700.00	$350.00	100.0%
2	100,000	$1,755.53	$2,685.53	$930.00	53.0%
3	200,000	$3,161.06	$4,671.06	$1,510.00	47.8%
4	300,000	$4,566.59	$6,656.59	$2,090.00	45.8%
5	400,000	$5,972.12	$8,642.12	$2,670.00	44.7%
6	500,000	$7,377.64	$10,627.64	$3,250.00	44.1%
7	600,000	$8,783.17	$12,613.17	$3,830.00	43.6%
8	700,000	$10,188.70	$14,598.70	$4,410.00	43.3%
9	800,000	$11,594.23	$16,584.23	$4,990.00	43.0%
10	900,000	$12,999.76	$18,569.76	$5,570.00	42.8%
11	1,000,000	$14,405.29	$20,555.29	$6,150.00	42.7%
12	2,000,000	$26,935.58	$38,160.58	$11,225.00	41.7%
13	3,000,000	$34,890.86	$49,015.86	$14,125.00	40.5%
14	4,000,000	$41,346.15	$57,121.15	$15,775.00	38.2%
15	5,000,000	$46,301.44	$62,476.44	$16,175.00	34.9%
16	6,000,000	$51,256.73	$67,831.73	$16,575.00	32.3%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
COMPARISON OF REVENUES AT PRESENT AND PROPOSED RATES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-7
SCHEDULE 1

DESCRIPTION	Number of Bills	Billing Quantities (therms)	Present Rates ($/therm)	Annual GCA ($/therm)	Annual PSA ($/therm)	Annual USF ($/therm)	Effective Present Rates ($/therm)	Revenue at Present Rates	Proposed Rates ($/therm)	Annual GCA ($/therm)	Annual PSA ($/therm)	Annual USF ($/therm)	Proposed Effective Rates ($/therm)	Revenue at Proposed Rates	Increase in Revenues Amount	Increase in Revenues Percent
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
RATE 110 - RESIDENTIAL SALES SERVICE																
Customer Facilities Charge	1,208,688		$10.75				$10.75	$12,993,396	$16.00				$16.00	$19,339,008		
First 50 Therms		38,794,245	$0.1401	$1.0326	$0.0042	$0.0054	$1.1823	$45,866,251	$0.1494	$1.0279	$0.0042	$0.0054	$1.1869	$46,045,104		
Over 50 Therms		36,141,699	$0.1048	$1.0326	$0.0042	$0.0054	$1.1470	$41,454,357	$0.1115	$1.0279	$0.0042	$0.0054	$1.1490	$41,527,013		
Total Therms and Revenues	1,208,688	74,935,944						$100,314,004						$106,911,125	$6,597,121	6.6%
RATE 120/125/145 - GENERAL SALES AND TRANSPORTATION SERVICE																
Customer Facilities Charge - Group 1	86,954		$20.00				$20.00	$1,739,080	$24.00				$24.00	$2,086,896		
Customer Facilities Charge - Group 2	29,795		$34.00				$34.00	$1,013,030	$50.00				$50.00	$1,489,750		
Customer Facilities Charge - Group 3	7,169		$70.00				$70.00	$501,830	$100.00				$100.00	$716,900		
Transportation Service Charge	418		$75.00				$75.00	$31,350	$0.00				$0.00	$0		
First 500 Therms (Sales)		12,978,113	$0.1073	$1.0192	$0.0021	$0.0033	$1.1319	$14,690,174	$0.1399	$1.0279	$0.0021	$0.0033	$1.1732	$15,225,619		
Over 500 Therms (Sales)		27,614,096	$0.0815	$1.0192	$0.0021	$0.0033	$1.1061	$30,544,479	$0.1043	$1.0279	$0.0021	$0.0033	$1.1376	$31,413,149		
First 500 Therms (Transportation)		186,468	$0.1073		$0.0021	$0.0006	$0.1101	$20,522	$0.1275		$0.0021	$0.0006	$0.1302	$24,285		
Over 500 Therms (Transportation)		6,684,357	$0.0815		$0.0021	$0.0006	$0.0843	$563,197	$0.0919		$0.0021	$0.0006	$0.0946	$632,585		
Total Therms and Revenues	123,918	47,463,034						$49,103,662						$51,589,184	$2,485,522	5.1%
RATE 160 - LARGE VOLUME TRANSPORTATION SERVICE																
Customer Facilities Charge	420		$200.00				$200.00	$84,000	$400.00				$400.00	$168,000		
First 50,000 Therms		17,707,700	$0.0515		$0.0009	$0.0007	$0.0530	$939,262	$0.0697		$0.0009	$0.0007	$0.0712	$1,261,542		
Next 200,000 Therms		23,181,790	$0.0473		$0.0009	$0.0007	$0.0488	$1,132,258	$0.0598		$0.0009	$0.0007	$0.0613	$1,422,030		
Over 250,000 Therms		9,177,440	$0.0441		$0.0009	$0.0007	$0.0456	$418,882	$0.0505		$0.0009	$0.0007	$0.0520	$477,617		
Total Therms and Revenues	420	50,066,930						$2,574,402						$3,329,189	$754,787	29.3%
RATE 170 - CONTRACT TRANSPORTATION SERVICE																
Customer Facilities Charge	48		$350.00				$350.00	$16,800	$700.00				$700.00	$33,600		
First 1,750,000 Therms		74,916,590	$0.0134		$0.0002	$0.0005	$0.0141	$1,052,974	$0.0192		$0.00016	$0.00049	$0.0199	$1,487,490		
Next 1,750,000 Therms		37,202,950	$0.0073		$0.0002	$0.0005	$0.0080	$295,960	$0.0102		$0.00016	$0.00049	$0.0109	$403,849		
Over 3,500,000 Therms		555,654	$0.0043		$0.0002	$0.0005	$0.0050	$2,753	$0.0047		$0.00016	$0.00049	$0.0054	$2,976		
Total Therms and Revenues	48	112,675,194						$1,368,487						$1,927,915	$559,428	40.9%
TOTAL THERMS AND REVENUE	2,666,566	285,141,102						$153,360,555						$163,757,413	$10,396,858	6.8%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST OF SERVICE STUDY
CALCULATION OF REVENUES AT PROPOSED RATES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT KAH-7
SCHEDULE 2

Description	Number of Bills (1)	Billing Quantities (therms) (2)	Proposed Margin Rates ($/therm) (3)	Proforma Cost of Gas ($/therm) (4)	Annual PSA ($/therm)	Annual USF ($/therm)	Proposed Effective Rates (3)	Revenues From Gas Sales at Proposed Rates (4)	Misc. Revenues (5)	Total Revenues (4) + (5) (6)	Cost-of-Service (Proforma B Revenues) (7)	(Over)/Under Recovery (7) - (6) (8)	(Over)/Under Recovery Percentage (8) / (7) (9)
RATE 110 - RESIDENTIAL SALES SERVICE													
Customer Facilities Charge	1,208,688		$16.00				$16.00	$19,339,008					
First 50 Therms		38,794,245	$0.1494	$1.0279	$0.0042	$0.0054	$1.1869	$46,045,104					
Over 50 Therms		36,141,699	$0.1115	$1.0279	$0.0042	$0.0054	$1.1490	$41,527,013					
Total Therms and Revenues		74,935,944						$106,911,125	$1,178,624	$108,089,749	$108,088,241	($1,508)	-0.0014%
RATE 120/125/145 - GENERAL SALES AND TRANSPORTATION SERVICE													
Customer Facilities Charge - Group 1	86,954		$24.00				$24.00	$2,086,896					
Customer Facilities Charge - Group 2	29,795		$50.00				$50.00	$1,489,750					
Customer Facilities Charge - Group 3	7,169		$100.00				$100.00	$716,900					
First 500 Therms (Sales)		12,978,113	$0.1399	$1.0279	$0.0021	$0.0033	$1.1732	$15,225,619					
Over 500 Therms (Sales)		27,614,096	$0.1043	$1.0279	$0.0021	$0.0033	$1.1376	$31,413,149					
First 500 Therms (Transportation)		186,468	$0.1275	$0.0000	$0.0021	$0.0006	$0.1302	$24,285					
Over 500 Therms (Transportation)		6,684,357	$0.0919	$0.0000	$0.0021	$0.0006	$0.0946	$632,585					
Total Therms and Revenues		47,463,034						$51,589,185	$499,872	$52,089,057	$52,088,003	($1,054)	-0.0020%
RATE 160 - LARGE VOLUME TRANSPORTATION SERVICE													
Customer Facilities Charge	420		$400.00				$400.00	$168,000					
First 50,000 Therms		17,707,700	$0.0697	$0.0000			$0.0712	$1,261,542					
Next 200,000 Therms		23,181,790	$0.0598	$0.0000			$0.0613	$1,422,030					
		9,177,440	$0.0505	$0.0000			$0.0520	$477,617					
Total Therms and Revenues		50,066,930						$3,329,189	$17,947	$3,347,137	$3,346,823	($313)	-0.0094%
RATE 170 - CONTRACT TRANSPORTATION SERVICE													
Customer Facilities Charge	48		$700.00	$0.00			$700.00	$33,600					
First 1,750,000 Therms		74,916,590	$0.0192	$0.0000			$0.0199	$1,487,490					
Next 1,750,000 Therms		37,202,950	$0.0102	$0.0000			$0.0109	$403,849					
Over 3,500,000 Therms		555,654	$0.0047	$0.0000			$0.0054	$2,976					
Total Therms and Revenues		112,675,194						$1,927,915	$19,599	$1,947,514	$1,947,497	($16)	-0.0008%
Total Therms and Revenue	1,333,074	285,141,102						$163,757,413	$1,716,043	$165,473,456	$165,470,564	($2,892)	-0.0136%

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST ANALYSIS OF GAS RECONNECT CHARGES

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-8
SCHEDULE 1

Line	Labor	Time (Minutes)	% of One Hour	Hourly Pay Rate	Truck Rate Per Hour	Loading Rates Per Hour: Payroll Taxes, Non-Prod. Benefits	Loading Rates Per Hour: Supervision Overhead	Total Cost
A	Customer Service Support (CSS) - arrange payment	7.5	12.5%	$ 20.70				$ 2.59
B	Customer Service Support (CSS) - disconnect order	2	3.3%	$ 20.70				0.68
C	Dispatcher - receives order and dispatches Util Attend	2	3.3%	$ 15.44		59%	10%	0.86
D	Utility Attendant works disconnect order	16	26.7%	$ 24.66	$ 6.33	59%	10%	12.82
E	Utility Attendant closes order in MDSI	2	3.3%	$ 24.66	$ 6.33	59%	10%	1.59
F	Customer Service Support (CSS) - Reconnect order	15	25.0%	$ 20.70				5.18
G	CSS contacts dispatch to advise of reconnect order	2	3.3%	$ 20.70				0.68
H	Dispatcher - receives order and dispatches Util Attend	2	3.3%	$ 15.44		59%	10%	0.86
I	Utility Attendant works reconnect order	37	61.7%	$ 24.66	$ 6.33	59%	10%	29.62
J	Utility Attendant closes order in MDSI	2	3.3%	$ 24.66	$ 6.33	59%	10%	1.59
	Total	87.5						**$ 56.47**
							Propose	**$ 55.00**

Assumptions:

1 person crew to reconnect
1 person crew to disconnect
Truck rate is a Class 2 vehicle
CSS Hourly Rate is blended rate of Vectren employees, Temporary employees, and contract employees.

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST ANALYSIS OF NON-SUFFICIENT FUNDS CHARGE

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-8
SCHEDULE 2

			Process Costs to Vectren
Receivables			
Remittance/Credit/Collections	Computed Hourly Rate	$15.00	
	Loadings 59% & Supervision 10%	$10.35	
		$25.35	
	30 minutes handling time includes NSF Banner process and issuing manual DNP (if needed) $25.35*30/60		**$12.68**
Financial Accounting			
	Computed Hourly Rate	$19.00	
	Loadings 59% & Supervision 10%	$13.11	
		$32.11	
	15 minutes handling time for reconciling bank statements per company $32.11*15/60		**$8.03**
Contact Center			
	Computed Hourly Rate	$12.48	
	Loadings 59% & Supervision 10%	$8.61	
		$21.09	
	3 minutes handling time for NSF research $21.09*3/60		**$1.05**
Treasury			
	Returned check fee + 2nd presentment		**$7.35**
Carrying Costs			
Vectren processed 8443 returned checks in a 12 month period totaling $5,560,306	3715 checks in a 12 mo period 3715/12 months =310 checks per month $1,239,862/12months=$103,322 $103,322/310 checks = $333 per check $333*1.15% interest rate=$3.83/12months=$.32 per check - Or $1,239,862*.0115%/12 months/3715=$0.32 per check		**$0.32**
Total Cost to Vectren to Process NSF Check			**$29.43**
Propose			**$25.00**

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST ANALYSIS OF INCREMENTAL AFTER HOURS CHARGE

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-8
SCHEDULE 3

					Loading Rates Per Hour		
Labor	Time (Minutes)	% of One Hour	Hourly Pay Rate	Truck Rate Per Hour	Payroll Taxes Non-Prod, Benefits	Supervision Overhead	Total Cost
Utility Attendant	60	100.0%	$ 24.66	$ 5.54	59.00%	10.00%	$47.22
						Total Cost	$47.22
						Propose	$45.00

VECTREN ENERGY DELIVERY OF INDIANA - SOUTH (GAS)
IURC CAUSE NO. 43112
COST ANALYSIS OF DIVERSION FEE

DATA: 12 MONTHS ENDED MARCH 31, 2006
TYPE OF FILING: CASE-IN-CHIEF
WITNESS: HEID

PETITIONER'S EXHIBIT NO. KAH-8
SCHEDULE 4

Labor	Time (Minutes)	% of One Hour	Hourly Pay Rate	Truck Rate Per Hour	Payroll Taxes, Non-Prod, Benefits	Supervision Overhead	Total Cost
Utility Attendant-Disconnect	18	30.00%	$ 24.66	$ 6.33	59.00%	10.00%	$ 14.40
Administrative Labor (Revenue Protection) - This area processes the service order which includes review of account. Telephone interviews to property owners, landlords, and tenants. Utilizing software tools such as Accurint and Accessor's Websites. Locating and documenting accountable party. Calculate usage, document and close in Customers Information System.	90	150.00%	$ 14.00		59.00%	10.00%	$ 35.49
Customer Service Support - Contact Center which includes call times for average diversion account	17	28.30%	$ 21.09				$ 5.97
Dispatcher	2	3.30%	$ 15.44		59.00%	10.00%	$ 0.89
Billing - this department receives the service order with usage amount from Revenue Protection. Usage must be calculated and customer billed	30	50.00%	$ 14.00		59.00%	10.00%	$ 12.04
					Total Cost		**$ 68.79**
					Propose		**$ 65.00**

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN SOUTH – GAS)

DIRECT TESTIMONY
OF
SCOTT E. ALBERTSON
DIRECTOR, REGULATORY AFFAIRS

ON

UNACCOUNTED FOR AND BAD DEBT GAS COST RECOVERY,
DISTRIBUTION REPLACEMENT ADJUSTMENT,
DEFERRED PIPELINE SAFETY ADJUSTMENT RECOVERY,
AND
TARIFF FOR GAS SERVICE

SPONSORING PETITIONER'S EXHIBITS SEA-1 THROUGH SEA-12

Direct Testimony of Scott E. Albertson

INTRODUCTION

Q. Please state your name and business address.

A. Scott E. Albertson
One Vectren Square
Evansville, Indiana 47708

Q. What position do you hold with Petitioner Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. ("Vectren South" or "the Company")?

A. I am Director of Regulatory Affairs for Vectren Utility Holdings, Inc. ("VUHI"), the immediate parent company of Vectren South. I hold the same position with two other utility subsidiaries of VUHI--Indiana Gas Company, Inc. ("Vectren North") and Vectren Energy Delivery of Ohio ("Vectren Ohio").

Q. Please describe your educational background.

A. I received a Bachelor of Science degree in mechanical engineering from Rose-Hulman Institute of Technology in 1984.

Q. Are you a Registered Professional Engineer?

A. Yes. I have been a professional engineer in Indiana since 1990 (registration number 900464).

Q. Please describe your professional experience.

A. I have over 22 years experience in the utility industry, primarily in the operations and engineering areas. I have worked at VUHI and its predecessor companies since 1987 in a variety of positions including Operations Staff Manager, Assistant Chief Engineer, Director of Engineering Projects, and Director of Engineering. Prior to assuming my current role in 2004, I was Director of Technical Services with responsibility for engineering and technical support for all VUHI utility operations. I began my career with Ohio Valley Gas Corporation in a project engineering position.

Q. What are your present duties and responsibilities as Director of Regulatory Affairs?

A. I have responsibility for the regulatory matters of the regulated utilities within VUHI, including proceedings before the Indiana and Ohio utility regulatory commissions.

Q. Have you previously testified before this Commission?

A. Yes. I testified in Vectren North's last general rate case (Cause No. 42598) and filed testimony in the last Vectren South general rate case (Cause No. 42596). I have also testified in several previous Vectren North GCA proceedings as well as a number of Vectren South GCA, FAC, DSM and Qualified Pollution Control Property ("QPCP") proceedings. Additionally, I have testified in Vectren North and Vectren South Pipeline Safety Adjustment proceedings.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony in this proceeding addresses Vectren South's proposals to establish regulatory mechanisms that will benefit customers and the Company by tracking volatile costs and accelerating distribution system improvements. Specifically, Vectren South proposes to: (1) change the manner in which it recovers unaccounted for gas costs and the gas cost component of bad debt expense; and (2) create a mechanism to recover capital investments associated with a program to accelerate the replacement of cast iron mains and bare steel mains and service lines in the Vectren South distribution system. My testimony also provides an explanation of Vectren South's proposed pro forma adjustment to recover deferred expenses under the Company's Pipeline Safety Adjustment. Finally, I will discuss Vectren South's proposed Tariff For Gas Service ("Tariff").

Q. How is your testimony organized?

A. My testimony is organized as follows:

I. Unaccounted For Gas Costs
II. Gas Cost Component of Bad Debt Expense
III. Distribution Replacement Adjustment
IV. Deferred Pipeline Safety Adjustment Recovery
V. Tariff
   a. Introduction
   b. Rate Schedules
   c. Appendices and Riders
   d. General Terms and Conditions

Q. What exhibits are you sponsoring in this proceeding?

A. I am sponsoring the following exhibits which have been prepared by me or under my supervision:

Petitioner's Exhibit No. SEA-2 – "Historical NYMEX Natural Gas Settlement Pricing"

Petitioner's Exhibit No. SEA-3 – "Unaccounted For Gas – Other Utilities with GCA Cost Recovery – Average UAFG Percentage 2002-2005"

Petitioner's Exhibit No. SEA-4 – "Unaccounted For Gas Percentage – Comparison of Various Groups of Utilities 2002-2005"

Petitioner's Exhibit No. SEA-5 – "GCA Schedules – Current and Proposed"

Petitioner's Exhibit No. SEA-6 – "Unaccounted For Gas Costs Examples"

Petitioner's Exhibit No. SEA-7 – "Bad Debt Gas Costs Examples"

Petitioner's Exhibit No. SEA-8 – "Accelerated Replacement Programs with Non-Base Rate Cost Recovery"

Petitioner's Exhibit No. SEA-9 – "Distribution Replacement Adjustment – Pro Forma Filing Schedules"

Petitioner's Exhibit No. SEA-10 – "Distribution Replacement Adjustment – Estimated Margin Increases by Rate Schedule"

Petitioner's Exhibit No. SEA-11 – "Distribution Replacement Adjustment – Estimated Residential Customer Bill Impacts"

Petitioner's Exhibit No. SEA-12 – "Tariff for Gas Service"

I. **Unaccounted For Gas Costs**

Q. What is Vectren South's proposal with respect to recovery of Unaccounted For Gas ("UAFG") costs?

A. Vectren South is proposing to track the difference between UAFG costs recovered in base rates and UAFG costs incurred, and include this difference in its quarterly Gas Cost Adjustment ("GCA") filings.

Q. Why is Vectren South making this proposal?

A. Currently, Vectren South's UAFG costs are included in base rates charged to customers. The amount of UAFG costs included in base rates is determined in a base rate proceeding by multiplying the pro forma commodity cost of gas in that proceeding by the Company's historical UAFG percentage. The pro forma commodity cost of gas is the best available estimate of gas costs to be expected during a future twelve month period. Currently, unlike actual gas costs which are subject to tracking in the GCA, once UAFG is established in base rates it becomes a static value representative of information available at a single point in time. Many conditions affect the actual market price of gas, and as evidenced by the recent past these conditions can result in extreme market price volatility. The level of gas price volatility over the last several years is unprecedented. As shown in Petitioner's Exhibit No. SEA-2, after a decade of very stable (and low) gas prices, the market has spiked several times, and prices in general have risen dramatically. In this price environment, with ongoing sensitivity to influences such as hurricanes and increasing gas fired electric generation, the cost of UAFG volumes is in many respects beyond Vectren South's reasonable control. While the Company can take measures to control its UAFG percentage, it cannot control the market price of gas. Further, since Vectren South's historical UAFG percentage is already low relative to other utilities in the United States (as I will discuss later), there is relatively less opportunity to impact the UAFG percentage favorably. Because the actual cost of gas is the key variable in the makeup of UAFG costs, such costs should be tracked, with any variance from base rate recovery recovered or passed back to customers in the GCA.

Q. Please discuss why Vectren South believes this proceeding, at this point in time, is the appropriate venue to change the manner in which UAFG costs are recovered.

A. Prior to the year 2000, when market prices were much more stable and much lower, the relative uncertainties associated with base rate recovery of UAFG costs had minimal impact on both customers and the Company. However, in an era of volatile and high market prices, Vectren South believes it is all the more appropriate that neither the Company nor customers are at risk for these costs, which are largely beyond the Company's control. The risk of over recovery of UAFG gas costs should not be borne by customers when many have difficulty paying their bills. Under recovery will result in lower earnings for the Company. The inclusion of UAFG costs in base rates means that Vectren South is authorized to recover those costs through a fixed volumetric component of the distribution charge. As discussed previously, the base rate cost of UAFG is based on the best information available at a single point in time. In a volatile market, both customers and the Company are prospectively at risk for variances from these fixed gas costs included in base rates. The existing GCA process is an efficient means of recovering or refunding variances in UAFG costs, along with other gas costs.

Q. How will such a change in UAFG cost recovery impact customers?

A. Under this proposal, customers will pay the actual cost of UAFG. Such costs are real and expected in the gas utility industry; otherwise recovery would not have traditionally been included in base rates. In the event market prices are less than the pro forma cost of gas in a rate case, and the Company's UAFG percentage remains constant or improves, customers will actually pay a lower GCA under this proposal than if UAFG costs were recovered only in base rates.

Q. Under Vectren South's proposal, what is the impact on customers if market prices are greater than the pro forma cost of gas?

A. Once again, customers will pay only the actual UAFG costs. Under Vectren South's proposal, regardless of how market prices may fluctuate customers are not at risk of overcompensating the Company for these costs if gas prices fall, and the Company is not at risk of under recovering these costs in the event gas prices increase.

Q. Do other gas utilities recover UAFG costs in the GCA?

A. A number of gas utilities in many jurisdictions in the United States either recover UAFG costs in GCA or equivalent proceedings, or have proposed to do so. Such utilities of which Vectren South is aware, along with their respective average UAFG percentages for the period 2002-2005, are listed in <u>Petitioner's Exhibit No. SEA-3</u>. Vectren South's current level of UAFG of 1.3% is less than the average percentage, and is approximately equal to the median percentage, for these companies during this period. The average UAFG percentages for various groups of utilities for the period 2002-2005 are shown in <u>Petitioner's Exhibit No. SEA-4</u>. Given its current level of UAFG, Vectren South compares very favorably to other gas utilities in terms of its management of UAFG.

Q. How would Vectren South's GCA filings change under this proposal?

A. The changes to Vectren South's quarterly GCA schedules would be as follows:

a. First, the estimated base rate component of UAFG costs would be deducted from total estimated gas costs on Schedule 1. Currently, all estimated UAFG costs are deducted on Schedule 1.

b. Second, Schedule 11 would be modified such that its purpose is to identify the Order Granted recovery of UAFG costs, adjusted for new customers consistent with the determination of the Sales Reconciliation Component ("SRC") pending before the Commission as part of the Company's settlement in Cause No. 42943. As is the case with the SRC, changes in the number of customers from Order Granted levels impacts the respective margin recovered. The new customer adjustment will be determined on Schedule 11, Page 2 of 3, by multiplying the SRC change in customer count for the applicable month by the monthly UAFG cost per customer, based on the number of customers in each Rate Schedule in this proceeding. The Adjusted Order Granted UAFG Costs will be deducted from the GCA on Schedule 6. Currently, Schedule 11 calculates the actual cost of UAFG, which is deducted on Schedule 6.

c. Third, as described above, Schedule 6 would deduct the Adjusted Order Granted UAFG Costs as determined on Schedule 11. These changes are reflected in Petitioner's Exhibit No. SEA-5.

Q. Will there be any other changes to Vectren South's GCA filings with respect to UAFG?

A. Yes. Annually Vectren South files Schedule 11B - Annual Unaccounted For Adjustment ("Annual UAF Adjustment"), which re-prices at the annual weighted average commodity cost of gas the actual UAF volumes over a 12-month period ending August 31. In fact, it was gas price volatility that prompted Vectren South to propose the Annual UAF Adjustment. The Commission authorized this adjustment for an interim two-year period in Cause No. 37366-GCA86 on April 27, 2005. Vectren South filed its first Annual UAF Adjustment in GCA89, for the 12 months ended August 31, 2005, and will file its second Annual UAF Adjustment in GCA93, for the 12 months ended August 31, 2006. Because actual UAFG costs will be tracked under Vectren South's proposal, the inclusion of the Annual UAF Adjustment once each year in the GCA will no longer be necessary.

Q. How will Vectren South keep the Commission apprised of its UAFG percentage?

A. Vectren South will continue to report its actual annual UAFG percentage, volumes, and costs on Schedule 11A. This schedule is filed once each year in the GCA which reconciles gas costs for the month of August. Schedule 11A will allow the Commission and other interested parties an ongoing opportunity to review the reasonableness of Vectren South's level of UAFG. Schedule 11A will also allow the Commission and other parties to audit UAFG gas costs along with other gas costs, providing an additional safeguard for customers that these costs are being well managed.

Q. Under its current rate design, without UAFG cost tracking, if the Company is able to reduce its UAFG percentage then isn't it assured of over recovering UAFG costs?

A. No, and the following simple example illustrates why this is not the case. In this example, assume:

1) the pro forma commodity cost of gas in the most recent Vectren South rate case was $5.55 per Dth;
2) actual sales volumes and pro forma sales volumes in the most recent rate case are equal at 11,500,000 Dth;
3) Vectren South is able to manage a reduction in its percentage of UAFG from 1.6% (184,000 Dth) to 1.3% (149,000 Dth).

If gas costs were constant during the year, at the pro forma commodity cost of gas, and UAFG costs are recovered only in base rates, Vectren South would over recover UAFG costs (by over $191,000 in this example) because actual UAFG volumes were less than anticipated in the rate design. This is illustrated in Petitioner's Exhibit No. SEA-6, page 1 of 4. However, if in the same year the actual commodity cost of gas was $2.00 per Dth more than the pro forma commodity cost of gas, Vectren South would actually under recover these costs from customers by more than $107,000, even though it had improved its UAFG percentage. This scenario is illustrated in Petitioner's Exhibit No. SEA-6, page 2 of 4.

Q. How would the Company's recovery of UAFG costs be impacted if its UAFG percentage in future years does not change, but commodity gas costs are less than the pro forma commodity cost of gas in this proceeding?

A. Petitioner's Exhibit No. SEA-6, page 3 of 4 illustrates this scenario. The UAFG percentage is held constant and gas costs are $2.00 less than the pro forma commodity cost of gas. In this example, customers would over fund UAFG costs by nearly $300,000.

Q. Under its current method of UAFG cost recovery, is it possible that Vectren South might not under recover UAFG costs even if its UAFG percentage were to increase?

A. Yes. If gas costs were to fall below the pro forma level, the Company could actually over recover UAFG costs from customers even as its UAFG percentage was increasing. An example of this scenario is illustrated in Petitioner's Exhibit No. SEA-6, page 4 of 4. In this example, the UAFG percentage increases from 1.3% to 1.5% while gas costs are $2.00 per Dth less than the pro forma commodity cost of gas. As shown, the result is an over recovery of nearly $130,000.

Q. What conclusions can you draw from these examples?

A. While these examples are intended to be illustrative only, they clearly demonstrate that as long as UAFG costs are included in base rates, with no tracking and with the rate case pro forma commodity cost of gas as their basis, it is nearly a certainty that these gas costs will be either over or under recovered. The GCA mechanism can and should be used to ensure that neither customers nor the Company are placed at risk for these market driven costs.

Q. What is the impact on customers if Vectren South's proposal to track UAFG costs in the GCA is not approved?

A. Vectren South is proposing a pro forma commodity cost of gas of approximately $9.43 per Dth in this proceeding. Having this high level of gas costs embedded in the Company's UAFG component of base rates is unprecedented. This pro forma commodity cost is nearly 70% higher than the commodity cost of gas in current rates ($5.55 per Dth), and Vectren South believes that unpredictable market price volatility will continue to be an issue going forward. If UAFG costs continue to be recovered in base rates, without tracking, such volatility is potentially detrimental to customers, inasmuch as this price would be locked into base rates, and Vectren South would have no opportunity to pass any benefits on to customers if gas prices were to fall prospectively. Furthermore, any improvements in UAFG percentage that may be derived from Vectren South's proposed accelerated main replacement program (as discussed by Petitioner's Witness James M. Francis), which would otherwise reduce UAFG costs to sales customers, would not be passed on to those customers until such time as base rates are updated in a future base rate proceeding.

Q. Are you familiar with the Commission's orders in Cause No. 37091?

A. Yes.

Q. What did the Commission determine in Cause No. 37091 with respect to recovery of UAFG costs?

A. The Commission found that the appropriate level of UAFG is more properly determined in a general rate proceeding, as opposed to a summary proceeding, and that changes in the cost of UAFG should not be tracked in the GCA.

Q. What reasons did the Commission cite for its conclusion?

A. The Commission concluded that:

- the recovery of UAFG costs in the GCA would tend to diminish the incentive for utilities to reduce the level of UAFG (see August 3, 1983 Order at page 9);
- the maximum 60 day period in which GCA filings may be reviewed places too much of a procedural restriction upon the Commission to allow for a proper inquiry into the cause and proper Commission response to UAFG as a part of the GCA mechanism (see May 14, 1986 Order at page 5).

Q. Does Vectren South believe these conclusions are applicable to the current environment?

A. No.

Q. Do you agree that Vectren South's incentive to reduce UAFG levels would be diminished if UAFG costs were tracked in the GCA?

A. No. Irrespective of issues directly related to the cost of UAFG, utilities such as

Vectren South have sufficient incentive to control and improve their UAFG levels. For example, managing leaks effectively and ensuring accurate gas measurement are part and parcel to Vectren South's operational objectives. Effective leak management ensures a safe operating environment for employees, customers and the general public. The goal of meter inspection and maintenance programs is to ensure customers receive accurate bills, consistent with their consumption. Absent these kinds of programs, safety in general can be potentially compromised, and customer satisfaction is placed at risk. Currently, Vectren South's monthly and 12-month rolling UAFG volume and percentage is reviewed each month by Operations personnel. If the monthly percentage or trend varies significantly from past or expected performance, a cross-functional group is convened to review results and investigate variances. This group is made up of representatives of Accounting, Measurement, Operations, and others as necessary. Vectren South will continue to manage UAFG diligently, and has sufficient incentive to control UAFG even under a rate design that tracks UAFG costs in the GCA. Moreover, Vectren South would agree to ongoing Commission oversight of its UAFG percentage and, as discussed below, the ability for the Commission to adjust gas cost recovery if its UAFG percentage is determined to be unreasonable.

With respect to cost control, the Commission concluded in Cause No. 37091 that, when UAFG costs are recovered in base rates and the actual level of UAFG increases above the base level, the additional cost is un-recovered, while if the actual level decreases a utility realizes a profit. (See May 14, 1986 Order at page 4.) However, as shown in the examples in Petitioner's Exhibit No. SEA-6, it is not necessarily true that a utility will under recover UAFG costs if its actual UAFG percentage increases, nor will it necessarily realize a profit if it improves its level of UAFG. While that may have been true at a time when gas costs were fairly stable, it is certainly not the case in today's volatile market. Further, in a scenario where that conclusion is accurate, that profit would be in the form of an over recovery of gas costs from customers. Vectren South does not believe it should be "incented" to improve its UAFG percentage at the expense of customers, particularly at a time when gas costs are high. On the contrary, Vectren South believes that if its UAFG costs decrease, whether as a result of falling gas prices or of improvements in its level of UAFG, that gas cost reduction should be passed on to customers.

Finally, if approved, the accelerated main replacement program described by Mr. Francis would over time eliminate the sources of a significant percentage of the Company's leaks. This demonstrates that Vectren South is clearly taking proactive steps to reduce UAFG.

Q. How does Vectren South propose to address the Commission's concern that the 60-day procedural restriction in the GCA does not allow sufficient time for UAFG review?

A. Vectren South believes the Commission and other parties should be given ample time to review the Company's level of UAFG, and that it is not necessary to draw conclusions about the level of UAFG in the same GCA proceeding in which Vectren South reports its annual UAFG percentage. As discussed previously, Vectren South will continue to file Schedule 11A annually in the GCA when the gas costs for the month of August are reconciled. Vectren South believes the Commission could make any necessary findings with respect to the Company's UAFG in the next subsequent GCA. The review could include an evaluation of the reasonableness of the Company's UAFG percentage for the previous twelve month period ending August. At the point in time the Commission makes its UAFG finding, the reasonableness of the gas costs associated with the same twelve-month period will have been completed. To the extent the Commission takes issue with Vectren South's UAFG percentage, any necessary adjustment could be made in future GCA filings. It is important to emphasize that the potential outcomes of such a review are not symmetrical. Vectren South does not expect the Commission to determine that the Company's level of UAFG is "too reasonable" or "too low"; as such, any adjustment to the GCA would likely be in the form of a refund of gas costs to customers.

Q. If Vectren South's proposal on UAFG cost recovery is approved, is there a need to examine the Company's level of UAFG in this proceeding?

A. Yes. The UAFG percentage determined in this or any base rate proceeding will be applicable, until further revised and approved by the Commission, to volumes of gas delivered to the Vectren South system by, or on behalf of, transportation customers.

Q. What effective date do you propose for the tracking of UAFG costs through the GCA?

A. Vectren South proposes that Adjusted Order Granted UAFG Cost recoveries be matched to actual UAFG costs incurred on and after the effective date of new rates in this proceeding.

II. <u>Gas Cost Component of Bad Debt Expense</u>

Q. What is Vectren South's proposal with respect to recovery of bad debt expense?

A. Vectren South is proposing to track the difference between the actual and base rate gas cost component of bad debt expense, and include this difference in its quarterly GCA filings.

Q. How does Vectren South propose to recover the non-gas cost component of bad debt expense?

A. Vectren South proposes to continue to recover the non-gas cost component of bad debt expense in base rates. Petitioner's Witness M. Susan Hardwick identifies the appropriate level of bad debt expense to be included in base rates. Petitioner's Witness Robert C. Sears more fully describes Vectren South's management of bad debt expense and the impact high gas costs have on the Company's level and recovery of this expense.

Q. What is Vectren South's basis for this proposal?

A. The GCA is intended to provide utilities timely recovery of the total cost of gas purchased for delivery to customers and ensure that customers do not over- or under-pay for gas costs. As more fully described in Vectren South's Tariff, Sheet No. 30, the GCA is used to recover the following costs, as reviewed and approved by the Commission:

1. Demand, commodity and other costs of gas supply purchased from pipelines and other suppliers.
2. Demand, commodity and other costs of pipeline transportation service.
3. Demand, commodity and other costs of leased gas storage and related transportation costs.
4. The net cost of gas injected into and withdrawn from storage.
5. Pipeline Take or Pay Charges and Transition Costs, and any like charges.
6. Applicable taxes, including Indiana Utility Receipts Tax.
7. All other costs approved for Gas Cost Adjustment recovery by the Commission.

As a local distribution company ("LDC"), Vectren South incurs gas costs to ensure reliable delivery of gas to all customers The GCA, in its current form, determines whether gas costs have been recovered by evaluating sales volumes in any particular period. The GCA assumes that volumes sold to customers are paid for by customers. However, when customers do not, or cannot, pay their bills, and when efforts to collect arrearages fail and amounts owed to the Company are written off, a significant portion of those amounts – 70-80% of the total bill in the current price environment -- are in fact gas costs that have not been, and will not be, recovered. In the past, when gas prices were more stable (and lower) than they are today, gas costs were a much less significant component of the total customer bill. In the current environment, gas costs are the major component of the bill – and therefore the major component of bad debt expense. It also follows, as discussed by Mr. Sears, that higher gas costs lead to higher levels of bad debt expense.

Q. What is the definition of "gas costs" in the GCA statute?

A. Indiana Code (IC 8-1-2-42(g)) states:

"...Gas costs or cost of gas may include the gas utility's costs for gas

purchased by it from pipeline suppliers, costs incurred for leased gas storage and related transportation, costs for supplemental and substitute gas supplies, costs incurred for exploration and development of its own sources of gas supplies and other expenses relating to gas costs as shall be approved by the commission."

Based on my experience with regulation, cost recovery and the GCA process, in my opinion the language in the statute does not contain any exclusion of the gas costs associated with bad debt expense, based on the definition of gas costs recoverable in the GCA. Furthermore, IC 8-1-2-42(g)(3)(D) allows utilities to recover all of its gas costs. The statute provides that the Commission may grant the gas utility the requested gas cost charge if it finds that, among other things:

> *"(D) The utility's estimate of its prospective average gas costs for each such future recovery period is reasonable and gives effect to:*
>
> > *(i) the actual gas costs experienced by the utility during the latest recovery period for which actual gas costs are available; and*
> >
> > *(ii) the actual gas costs recovered by the adjustment of the same recovery period."*

In other words, the statute authorizes a gas utility to estimate gas costs for the future recovery period, and to reconcile actual gas costs experienced to actual gas costs recovered. Again, as currently applied, the GCA assumes that all gas costs billed to customers are paid by customers. When bills go unpaid by customers, the utility does not recover all its gas costs. In such cases, the "actual gas costs recovered by the adjustment of the same recovery period", as determined currently in the GCA, are overstated.

Q. Please discuss Vectren South's current method of recovery of bad debt expenses.

A. Currently, all of Vectren South's costs related to bad debt are recovered in base rates. The amount of bad debt expense included in the Company's current base rates was determined by multiplying the pro forma revenue (cost of gas and margin) by the ratio of bad debt expense to revenue in the test year in Vectren South's most recent general rate case. The pro forma cost of gas, unlike actual gas costs, is a static value. As described in my proposal for recovery of UAFG costs, many conditions affect the actual market price of gas, and as evidenced by the recent past these conditions can result in extreme market price volatility. As such, the total cost of bad debt is in many respects beyond Vectren South's reasonable control. While the Company can and does take measures to manage its percentage of bad debt, as described by Mr. Sears, it cannot control the market price of gas. The actual cost of gas is the primary component of bad debt expense. Such costs should be tracked in the GCA.

Q. How has market price volatility impacted Vectren South's recovery of bad debt expense?

A. Petitioner's Exhibit No. SEA-2 illustrates market price volatility for the period June 1990 through August 2006. Mr. Sears identifies Vectren South's recent bad debt recovery experience and discusses the impact of market price volatility on Vectren South's business results.

Q. How will such a change in the method of bad debt gas cost recovery impact customers?

A. Customers will pay the actual gas cost component of bad debt expenses. Much like UAFG costs, bad debt expenses are recognized as real and expected in the gas utility industry; otherwise recovery would not have traditionally been included in base rates. In the event market prices are less than the pro forma cost of gas in a rate case, and Vectren South's bad debt percentage remains constant or improves, customers will actually pay less bad debt expense, via a lower GCA, under the Company's proposal.

Q. Under Vectren South's proposal, what is the impact on customers if market prices are greater than the pro forma cost of gas?

A. Once again, customers will pay only the actual gas cost component of bad debt expense. Regardless of how market prices may fluctuate customers will not be at risk of overcompensating the Company for these costs if gas prices fall, and the Company will not be at risk of under recovering these costs in the event gas prices increase. The Company's proposal is most equitable in dealing with these gas costs.

Q. If rate design is modified in this manner, does Vectren South have any incentive to control bad debt expense?

A. Yes, Vectren South will continue to have incentive to manage bad debt expense. Mr. Sears discusses this issue in detail.

Q. Do other gas utilities recover, or track, gas cost related bad debt expenses in the GCA?

A. Yes. Some states have authorized recovery of 100% of bad debt expense via a tracker, while others have authorized gas cost component recovery in mechanisms similar to the GCA, as proposed herein. A list of utilities in the United States with bad debt expense recovery mechanisms is shown by Mr. Sears in Petitioner's Exhibit No. RCS-2.

Q. How would Vectren South's GCA filings change under this proposal?

A. Petitioner's Exhibit No. SEA-5 shows an example of how the revised schedules will be presented in the GCA. A new schedule 12C would be filed to show the reconciliation of recoverable bad debt gas costs to Adjusted Order Granted bad debt gas costs, similar to the way approved UAFG recoveries would be determined on Schedule 11 as described previously. The new customer adjustment will be determined on Schedule 12C, Page 3 of 4, by multiplying the SRC change in customer count for the applicable month by the monthly bad debt gas cost per customer, based on the number of customers in each Rate Schedule in this proceeding. The Adjusted Order Granted Bad Debt Gas Costs will be compared to the gas cost component of actual write-offs on Schedule 12C, Page 2 of 4, with the variance flowing to Schedule 12C, Page 1 of 4. Just as commodity and demand costs are reconciled currently, variances will be allocated to the next four GCA periods. These variances would then flow through the GCA on Schedule 6, just as commodity and demand variances are treated currently.

Q. How will Vectren South keep the Commission apprised of its bad debt percentage?

A. Vectren South will report to the Commission by February 15 of each year its actual bad debt experience for the 12 months ended December 31 of the preceding year, so that the Commission and other interested parties may have an opportunity to review the reasonableness of the Company's level of bad debt expense.

Q. Under its current method of bad debt gas cost recovery, if the Company is able to reduce its bad debt percentage then isn't it assured of over recovering bad debt gas cost expense?

A. No, and the following example illustrates why this is not the case.

In this example, assume:

1) the pro forma cost of gas in the most recent Vectren South rate case was $6.29 per Dth;
2) actual sales volumes and pro forma sales volumes in the most recent rate case are equal at 11,500,000 Dth;
3) Vectren South is able to manage a reduction in its percentage of bad debt expense, from 1.0% to 0.9%.

If gas costs were constant during a particular year at the pro forma cost of gas, and bad debt gas costs are recovered only in base rates, Vectren South would over recover bad debt expense (by over $72,000 in this example) because its actual bad debt gas costs would have been less than anticipated in the base rates. This is illustrated in Petitioner's Exhibit No. SEA-7, page 1 of 3. However, if in the same example the actual cost of gas was $2.00 per Dth more than the pro forma cost of gas, Vectren South would actually under recover these costs from customers by more than $134,000, even though it had improved its percentage of bad debt. This scenario is illustrated in Petitioner's Exhibit No. SEA-7, page 2 of 3.

Q. Under its current method of bad debt gas cost recovery, is it possible that Vectren South might not under recover bad debt gas costs expense even if its bad debt percentage were to increase?

A. Yes. If gas costs were to fall below the pro forma level, the Company could actually over recover bad debt gas cost expense from customers even as its bad debt percentage was increasing. An example of this scenario is illustrated in Petitioner's Exhibit No. SEA-7, page 3 of 3. In this example, the bad debt percentage increases from 1.0% to 1.1% while the actual cost of gas is $2.00 per Dth less than the pro forma cost of gas. As shown, the result is an over recovery of over $135,000.

Q. What conclusions can you draw from these examples?

A. While these examples are intended to be illustrative only, they clearly demonstrate that as long as bad debt gas costs are included only in base rates (with no tracking of gas cost variances), it is nearly a certainty that these costs will be either over or under recovered. Gas costs are the primary component of bad debt expense, and actual gas costs are a function of the marketplace. The GCA mechanism can and should be used to ensure that neither customers nor the Company are placed at risk for these market driven costs.

Q. What is the impact on customers if Vectren South's proposal to track the gas cost component of bad debt expense in the GCA is not approved?

A. Vectren South is proposing a pro forma cost of gas of approximately $10.20 per Dth in this proceeding. As is the case with my previous discussion of UAFG costs, having this high level of gas costs embedded in the Company's bad debt component of base rates (over 62% more than the cost of gas in current rates) is unprecedented. Market price volatility can potentially benefit customers under Vectren South's proposal if the gas cost component of bad debt expense is tracked in the GCA. If the Company's proposal is not approved, this price would be locked into base rates, and Vectren South would have no opportunity to pass any reductions in the gas cost component of bad debt expense on to customers if gas prices were to fall prospectively.

Q. What effective date do you propose for the tracking of Bad Debt gas costs through the GCA?

A. Vectren South proposes that Adjusted Order Granted bad debt gas cost recoveries be matched to the actual gas cost component of bad debt expense occurring on and after the effective date of new rates.

III. Distribution Replacement Adjustment

Q. What is Vectren South's proposal regarding recovery of capital costs associated with the accelerated replacement of cast iron mains and bare steel mains and service lines?

A. Vectren South is requesting approval of a Distribution Replacement Adjustment ("DRA") to track these capital costs. Vectren South will make annual filings with the Commission to recover a return of and on these investments in infrastructure replacement projects until such time as they are included in base rates.

Q. Why is Vectren South proposing such a recovery mechanism?

A. As is more fully described by Mr. Francis, the accelerated bare steel and cast iron pipeline replacement program ("the Program") involves sizable, incremental investments in non-revenue producing plant that will provide a number of benefits, including a reduction of future maintenance expenses. Because the Program requires investments beyond Vectren South's normal annual capital investment in system replacement, timely recovery of these investments is critical. Absent this mechanism, the Company cannot engage in this heightened level of investment and withstand the regulatory lag that would accompany traditional base rate treatment/recovery of investments of this magnitude.

Q. Are similar recovery mechanisms, for similar programs, in place in other

jurisdictions?

A. Yes, a number of gas utilities in other jurisdictions have recognized the need to focus more attention on this issue, and have received approval from their respective regulatory commissions to accelerate replacement of similar aging infrastructure and implement a mechanism to recover the costs outside a base rate proceeding. Still others have proposed similar programs and recovery mechanisms, which are pending before their respective regulatory commissions. Such utilities of which Vectren South is aware are listed in Petitioner's Exhibit No. SEA-8.

Q. Please describe the recovery mechanism Vectren South proposes.

A. Vectren South proposes a mechanism that is similar to that used to recover investments in clean coal technology at its electric generation facilities. The QPCP mechanism for recovery of construction costs, with which the Commission is familiar, can be modified slightly to achieve the desired result. The proposed DRA revenue requirement methodology is more fully described by Ms. Hardwick.

Q. What is Vectren South's proposal for submitting its annual construction plans to the Commission?

A. Vectren South proposes to submit its annual construction plans under the Program so that the Commission may become familiar with the projects contemplated for the coming year. As the DRA process gets underway, Vectren South will submit its construction plan for the period July 1, 2007 through December 31, 2007 by July 1, 2007. The Company will then submit its construction plan for calendar year 2008 by October 1, 2007. Thereafter (for 2009 and beyond), Vectren South proposes to submit its construction plans on May 1 of the preceding year. In this manner, the Commission can be apprised of progress on the replacement of this old infrastructure and provide further input on Vectren South's conduct of the Program.

Q. When, and how frequently, will the DRA filings be made?

A. DRA filings will be made annually by May 1 of each year, and will reflect activity for the most recent calendar year. At the same time, as described above, the Company's construction plan for the next calendar year will be submitted to the Commission. Vectren South proposes that the DRA become effective on September 1 of each year.

Q. What information will be included in the annual DRA filings?

A. Vectren South will report to the Commission the following information for the previous calendar year:

1) Investment in infrastructure replacement under the Program,
2) Pipe mileage replaced (by type),
3) Revenue requirement (including reconciliation of revenue requirement recovery for a prior period), and
4) Derivation of rates for the prospective recovery period (September 1 through August 31).

Q. How will the maintenance savings attributable to the Program be reflected in the determination of the revenue requirement in the annual DRA filings?

A. As described by Mr. Francis, Vectren South expects its annual maintenance expenses to be reduced by about $470,000 per year once the Program is completed. The maintenance savings, when allocated to the existing 279 miles of cast iron and bare steel main in the Company's distribution system, equates to approximately $1,700 per mile. Vectren South will reduce the revenue requirement in each annual DRA filing by $1,700 per cumulative total mile of cast iron and bare steel main replaced since the inception of the Program.

Q. Can you provide an example?

A. Yes. Suppose during the first year of the Program, a total of 14 miles of cast iron and bare steel mains are replaced. In the DRA filing for the first year, the revenue requirement would be reduced by $23,800 ($1,700 times 14 miles replaced). Suppose then that in the second year of the Program, another 14 miles of cast iron and bare steel mains are replaced. In the DRA filing for the second year, the revenue requirement would be reduced by $47,600 ($1700 times 28, the cumulative total mileage replaced). In this manner, beneficial replacement of this infrastructure occurs, and cost savings are immediately passed on to customers.

Q. How will the Program costs be allocated to the various Rate Schedules?

A. The costs of the program will be allocated to the Rate Schedules based on the distribution mains allocation in Vectren South's most recent cost of service study. In this proceeding, that study is sponsored by Petitioner's Witness Kerry A. Heid.

Q. Please describe how the DRA rates to be charged to customers will be determined.

A. The pro forma filing schedules for the DRA, including those schedules to be sponsored by Vectren South's accounting witness in DRA proceedings, are shown in Petitioner's Exhibit No. SEA-9. The schedules as shown are for illustrative purposes only.

Page 1 of 12 is the proposed DRA tariff sheet. Page 2 of 12 lists the rate schedule distribution mains allocation factors determined in the most recent base rate proceeding (the percentages shown are those proposed in this proceeding), which is the proposed basis for recovery under the DRA. Page 3 of 12 shows the derivation of the DRA by rate schedule. The rate schedule allocation factors from page 2 of 12 are multiplied by the total revenue requirement to determine the allocated revenue requirement by rate schedule. The allocated revenue requirement for each rate schedule is then divided by the Company's most recent estimate of annual volumes for each rate schedule to determine the DRA per therm for each rate schedule. Page 4 of 12 shows the impact of the proposed DRA on customers' bills. Pages 5 through 9 of 12 show the methodology for reconciling the recovery of the revenue requirement for prior periods and determining the appropriate adjustment to the revenue requirement. The reconciliation methodology is as follows:

In each annual filing, Vectren South will file RATES Schedule 5, as shown on Page 5 of 12. The purpose of this schedule is to identify the recoveries applicable to the periods September through December and January through August during the twelve months the DRA is in effect.

In the second annual filing, Vectren South will file a second page under RATES Schedule 5, as shown on Page 7 of 12. The purpose of this schedule is to determine the revenue requirement recovery variance applicable to the effective period (in this case, September through December) in order to make an adjustment to the revenue requirement. As shown on Page 7 of 12 for illustrative purposes, the variance to be determined in the second annual filing is applicable only to four months, recognizing that the DRA will have taken effect in September of the prior year.

In the third and subsequent annual filings, Vectren South will continue to file Pages 1 and 2 of Schedule 5 (shown as Pages 8 of 12 and 9 of 12). As illustrated on Page 9 of 12, the variance is computed as the difference between actual and approved recoveries from the first annual filing (as determined on Page 5 of 12 and shown on line 15) for the period January through August, and the difference between actual and approved recoveries from the second annual filing (as determined on Page 6 of 12 and shown on line 16. Any variance on line 18 will flow to ACCOUNTING Schedule 3, line 16 as an adjustment to the revenue requirement.

Ms. Hardwick describes the remaining (ACCOUNTING) schedules in Petitioner's Exhibit No. SEA-9 in her supplemental direct testimony.

Q. What is the expected margin impact of the Program on customers?

A. The estimated margin impact on all customers to which the proposed DRA is applicable is shown on Petitioner's Exhibit No. SEA-10, and is based on the estimated costs associated with the Program as described by Mr. Francis.

Q. What is the expected impact of the Program on residential customers' bills?

A. The estimated residential customer bill impacts are shown on Petitioner's Exhibit

No. SEA-11, and are also based on the estimated costs associated with the Program described by Mr. Francis.

Q. How will the DRA be determined after orders in subsequent Vectren South base rate proceedings are approved by the Commission?

A. As described by Ms. Hardwick, investments under the Program will be included in base rates at the time Vectren South files subsequent requests for changes to its base rates. Once orders in subsequent base rate proceedings are approved, the DRA will be reset to zero and the annual DRA filing/recovery process will begin anew.

IV. Deferred Pipeline Safety Adjustment Recovery

Q. Does Vectren South propose to amortize deferred expenses under its Pipeline Safety Adjustment ("PSA")?

A. Yes. The pro forma adjustment is identified by Ms. Hardwick in Petitioner's Exhibit No. MSH-3, Adjustment A27.

Q. What is the basis for inclusion of the deferred expenses in base rates?

A. In its Order in Cause No. 42596, the Commission authorized Vectren South to recover deferred pipeline safety expenses that meet the specified requirements at the time of its next base rate case. Prudently-incurred, incremental, non-capital expenses which are caused by the requirements of the federal Pipeline Safety Improvement Act of 2002 are eligible for recovery ("eligible expenses") (see Order at page 5-6).

Q. Has Vectren South filed annual applications with the Commission to update the PSA unit rates?

A. Yes. Vectren South filed its first application on May 10, 2005 in Cause No. 42885 ("2005 Filing") and its second application on June 2, 2006 in Cause No. 43062 ("2006 Filing").

Q. Please describe the 2005 Filing.

A. In the 2005 Filing, Vectren South sought recovery of $625,255 of eligible expenses. The recovery requested was less than the first year cap amount of $750,000 authorized in Cause No. 42596. Because customer usage was less than anticipated, Vectren South under collected $104,849 of this amount from the date the PSA went into effect through the end of the twelve-month deferral period (March 31, 2006).

Q. Please describe the 2006 Filing.

A. In the 2006 Filing, Vectren South sought recovery of $604,849, which included the under recovery variance of $104,849, plus the second year cap amount of $500,000.

Q. Did Vectren South incur eligible expenses in the second year above the cap?

A. Yes. In the 2006 Filing, Vectren South reported to the Commission that $1,195,765 of eligible expenses had been deferred during the 12 months ending March 31, 2006. Mr. Francis provides additional details supporting these expenses in his direct testimony in this proceeding.

Q. Does Vectren South's proposed pro forma adjustment include recovery of the eligible expenses reported in the 2006 filing that were in excess of the second year cap?

A. Yes, in part. The pro forma adjustment contemplates recovery of the deferred expenses above the second year cap ($695,765) identified in the 2006 Filing, reduced by $500,000 to be included in the PSA filing in 2007 ("2007 Filing"). Vectren South anticipates making the 2007 Filing in May, 2007. Therefore, of the $1,195,765 of expense deferred for the twelve months ending March 31, 2006, $500,000 will have been included for recovery in the 2006 Filing and another $500,000 will be included in the 2007 Filing, leaving a deferred balance of $195,765 to be included in the pro forma adjustment.

Q. Does the pro forma adjustment include recovery of other eligible expenses?

A. Yes. The pro forma adjustment also includes an estimate of eligible expenses that will be deferred during the twelve months following the test year in this proceeding (twelve months ending March 31, 2007). These estimated expenses ($1,399,892) are identified by Mr. Francis. Inclusion of these estimated expenses in the pro forma adjustment will not impact the recovery of prior deferrals Vectren South will request ($500,000) in the 2007 Filing, as discussed previously. Because Vectren South's planned request in the 2007 Filing will be for recovery of a portion of deferred expenses remaining from the 2006 Filing, all expenses deferred during the twelve months ending March 31, 2007 will exceed the third year cap.

Q. What is Vectren South's position concerning continuation of the PSA?

A. Vectren South believes the review of the PSA should occur after three years, as previously ordered by the Commission, and that a decision concerning continuation of, and the annual cap amount applicable to, the PSA be reached at the conclusion of that review.

Q. Does Vectren South propose any changes to the PSA prior to the three year review?

A. Yes. Eligible expenses under the PSA are currently allocated to the rate schedules based on the margins per rate schedule approved in Cause No. 42596. Vectren South proposes to use rate schedule margins as updated in this proceeding as the basis for allocating eligible expenses in future PSA filings.

V. Tariff

a. Introduction

Q. Is Vectren South proposing to make any administrative changes to the Tariff?

A. Yes. Under the Company's current method of numbering tariff sheets, each sheet is first labeled "Original Sheet No. N, Page X of Y". Subsequent revisions are then labeled "First Revised Sheet No. N, Page X of Y", "Second Revised Sheet No. N, Page X of Y", etc. Vectren South proposes a new method of tariff sheet numbering, wherein each tariff sheet would initially be labeled "Sheet No. N, Original Page X of Y". Subsequent revisions would then be labeled "Sheet No. N, First Revised Page X of Y", "Sheet No. N, Second Revised Page X of Y", etc. If this proposed method is implemented, Vectren South would be required to file with the Commission only the pages to which changes have been made, rather than filing each page of a tariff sheet to implement a change on only a single page. Vectren South believes this change will ease administrative burden on both the Commission and the Company.

Q. What general changes to the Tariff are being proposed by Vectren South?

A. Vectren South is proposing to make a number of clarifying changes and additions to Sheet No. 4 – Definitions. The Company is further proposing to replace duplicative language on individual rate schedule tariff sheets with references to the Appendices applicable to the respective rate schedules.

Q. What other changes to the Tariff is Vectren South proposing?

A. Beyond the specific changes I will discuss in the following sections of my testimony, other changes have been proposed primarily to improve clarity and, where possible, bring about consistency with Vectren North's Tariff for Gas Service to improve overall Tariff administration and utilization.

b. Rate Schedules

Q. Please describe the changes proposed to the Rate Schedules in the Tariff.

A. Consistent with the cost of service study and rate design sponsored by Mr. Heid, Vectren South proposes to change the Rates and Charges in the Rate Schedules for:

- Rate 110 – Residential Sales Service,
- Rate 120 – General Sales Service,
- Rate 125 – School Transportation Service,

- Rate 129 – Natural Gas Vehicle Service,
- Rate 160 – Large Volume Transportation Service,
- Rate 170 – Contract Transportation Service, and
- Rate 190 – Storage Service.

Q. What other changes does Vectren South propose for Rate Schedule 120?

A. A number of changes are proposed for Rate 120, most dealing with transportation service currently offered under this Rate Schedule. Vectren South is proposing to create a new transportation rate schedule (Rate 145 – General Transportation Service, which I will discuss later in my testimony). As such, all references to transportation service have been deleted from Rate 120 in the Tariff. Distinctions between sales and transportation service in the current Tariff have also been deleted.

Under the Contract section of Rate 120, the Company is proposing to require any customer using more than 250,000 therms annually to enter into a written contract which specifies the customer's hourly and daily maximum gas requirements. Currently, only those customers receiving transportation service under Rate 120 are required to enter into such a contract.

Q. Please describe Rate 125 – School Transportation Service.

A. In a June 14, 2006 filing before the Commission, Vectren South proposed a number of new and revised tariff sheets to meet the requirements of H.B. 1006 which was enacted earlier this year. This filing (the "School Transportation Filing") was approved by the Commission on August 9, 2006. Under Rate 125, Vectren South will offer transportation services to any customer that was previously ineligible for such services and for which payment of the Company's rates and charges is the responsibility of an educational institution. In addition to school corporations as required by the legislation, the School Transportation Filing applied to private and post-secondary institutions as well.

Q. Are any changes to Rate 125 proposed in this proceeding?

A. Yes. Vectren South is adding language to the Curtailment section of this Rate Schedule to clarify that the Unauthorized Gas Usage Charge set forth in Appendix C is applicable to customers under this Rate Schedule who, during a curtailment period, use gas in excess of the quantity allowed.

Vectren South also proposes one additional administrative change. In the School Transportation Filing, Rate 125 is depicted on Tariff Sheet No. 14. In this proceeding Vectren South has shown Rate 125 on Tariff Sheet No. 13. Accordingly, Rate 129 – Natural Gas Vehicle Service (currently Tariff Sheet No. 13) is now shown on Tariff Sheet No. 14. This change is proposed so that the Rate Schedules are presented in numerical order in the Tariff.

Q. Did the School Transportation Filing also include other new tariff sections?

A. Yes. Rate 185 – School Pooling Service, and Appendix J – School Nomination and Balancing Provisions, were filed along with Rate 125. These tariff sheets were required to facilitate the implementation of transportation service for schools. In addition, Rate 185 was added to the curtailment provisions section of the General Terms and Conditions (Rule 24), and a new charge was added to Appendix C – Other Charges to provide bills summarizing charges for educational institutions. This summary billing feature was also required by H.B. 1006. Finally, Rate 125 was added to other tariff sheets where applicable (for example, Appendix G – Universal Service Fund Adjustment).

Q. Are other changes, related to the School Transportation Filing, being proposed in this proceeding?

A. Yes. At the time Rate 185 was filed, it included language making Appendix F – Unaccounted For Gas Percentage applicable to School Suppliers. Vectren South neglected to file Appendix F as part of the School Transportation Filing in June. References to School Suppliers have been added to Proposed Appendix F in this proceeding to correct that oversight.

Q. Please describe proposed Rate Schedule 145 – General Transportation Service.

A. Rate 145 as proposed is in nearly all respects identical to the current terms applicable to transportation customers under Rate 120. The primary exception is that the $75 per month charge currently applicable to transportation customers under Rate 120 has been eliminated. Appropriate references to Rate 145 have been added throughout the proposed Tariff where applicable.

Q. Please explain the proposed change to the language regarding the requirement for telephone service in the Transportation Rate Schedules, Rates 160, and 170, and proposed Rate 145.

A. Vectren South is proposing to add the following sentence: "If Customer's telephone line is frequently not available when Company seeks to obtain measurement data, Company may require Customer to provide a dedicated telephone line in order to continue Transportation Service under this Rate Schedule." Many of the telephone lines being provided by transportation customers are not dedicated and are being used for other purposes. Unavailability of the Customer's telephone line prevents the Company from obtaining daily measurement data which is vital for Daily Balancing purposes. This change allows the Company to require a dedicated telephone line only for those customers for whom data availability has been a problem.

Q. Are any changes being proposed to Rate Schedule 180 – Pooling Service?

A. Yes. Vectren South is proposing to assess a $50 fee to Pool Operators for the initial, and each subsequent, financial evaluation performed by the Company to review the Pool Operator's creditworthiness. This fee will defray a portion of the costs the Company incurs to perform such evaluations. A similar fee was approved as part of Rate 185 – School Pooling Service in the School Transportation Filing.

c. <u>Appendices and Riders</u>

Q. Please describe the changes you are proposing to Appendix A – Gas Cost Adjustment ("GCA").

A. Vectren South is proposing to eliminate demand allocators from the GCA, which results in the same GCA being applicable to both Rate 110 and 120.

Q. Why is Vectren South proposing this change?

A. Vectren South has calculated the load factors for residential (Rate 110) and general (Rates 120 and 125) customers in this proceeding. The load factors for the two groups are very similar, which results in a similar unit demand charge, removing the need for GCA demand allocators.

Q. Are any changes being proposed to Appendix C – Other Charges?

A. Yes. Vectren South proposes increases to the following Other Charges:

1) Reconnect Charge – increase the charge from $20.00 to $55.00;
2) After Hours Charge – increase the charge from $22.00 to $45.00;
3) Insufficient Funds Check Charge – increase the charge from $15.00 to $25.00;
4) Fraudulent or Unapproved Use of Gas charge – increase the charge from $44.00 to $65.00.

Mr. Heid describes the increased charges proposed by the Company in his direct testimony.

Q. What changes are proposed for Appendix D – Base Cost of Gas?

A. Appendix D reflects the base cost of gas of $10.195 per Dth in this proceeding: $9.429 per Dth (Commodity) and $0.766 per Dth (Demand). As previously discussed, demand allocators have been eliminated, resulting in the same base cost of gas for both Vectren South sales Rate Schedules.

Q. What changes are proposed for Appendix F – Unaccounted For Gas?

A. Vectren South proposes to reduce its UAFG percentage, from 1.6% to 1.3%, in this proceeding.

Q. Are any changes being proposed to Appendix G – Universal Service Fund ("USF") Adjustment?

A. Yes; Appendix G has been renamed the USF "Adjustment". Currently this adjustment is referred to as the USF "Rider". Also, Rates 125 and 145 have been included in the list of Rate Schedules to which the charge is applicable. The proposed USF Adjustment applicable to Rate 145 ($0.001 per therm) is identical to that currently applicable to transportation customers receiving service under Rate 120. The USF Adjustment proposed for Rate 125 ($0.005 per therm) is identical to that currently applicable to schools receiving sales service from the Company, which ensures that all schools continue to pay the same USF Adjustment regardless of whether they are sales or transportation customers.

Q. What changes are proposed to Appendix H – Pipeline Safety Adjustment (PSA")?

A. Vectren South proposes to update the rate schedule allocation percentages in this proceeding, as discussed previously in my direct testimony. When the PSA was established in Cause No. 42596, eligible expenses were allocated on the basis of rate schedule margins approved in that proceeding. Vectren South proposes to continue to allocate costs to the Rate Schedules on the same basis, while updating the allocation methodology by using margins in this proceeding. These percentages are reflected in proposed Appendix H.

Also, Rates 125 and 145 have been included in the list of applicable Rate Schedules in Appendix H. The applicable PSA under Rate 125 is the same currently applicable to schools receiving service under Rate 120. The applicable PSA under Rate 145 is the same currently applicable to transportation customers receiving service under Rate 120.

Q. Please describe Appendix I.

A. Appendix I is Vectren South's proposed Energy Efficiency Rider, which is currently pending before the Commission in Cause No. 42943.

Q. Is Vectren South proposing any changes to Appendix I in this proceeding?

A. Yes, changes are proposed in two sections of Appendix I. The first change, in the Applicability section, redefines Rate 120 as a sales only Rate Schedule, as previously discussed.

The remaining changes are under the description of the SRC. First, language was proposed as part of a settlement in Cause No. 42943 that postponed implementation of the SRC for Vectren South until new base rates are approved. The Company assumes that the Commission will issue an order in Cause No. 42943 before an order is issued in this proceeding, therefore that language has been deleted in the Tariff. The tariff sheet currently pending before the Commission also indicates that the SRC shall recover eighty-five (85) percent of the differences between Actual Margins and Adjusted Order Granted Margins for the applicable Rate Schedules, and further authorizes the Company to defer eighty-five (85) percent of such calculated differences for subsequent return or recovery via the SRC. As described by Petitioner's Witness Jerome A. Benkert, Jr., Vectren South proposes to eliminate the 15% reduction in SRC recoveries.

Q. What Order Granted Margins does Vectren South propose for the SRC?

A. Vectren South proposes that margins granted in the Commission's order in this proceeding be used for the SRC. Vectren South will include these margins in the compliance filing in this proceeding.

Q. Please describe Appendix K.

A. Appendix K is the tariff sheet for the proposed DRA, as discussed previously.

Q. Please describe the proposed economic development tariffs being proposed by Vectren South.

A. Petitioner's Witness Ronald B. Keeping describes various economic development incentives Vectren South proposes to offer, via two economic development riders, to existing and/or new transportation customers receiving service under Rates 145 and 160. These are:

- Sheet No. 45 - Economic Development Rider ("Rider ED"), which includes incentives for customers who add an annual load of 5,000 dekatherms and either make certain financial investments or add a certain number of jobs at their facility; and

- Sheet No. 46 - Area Development Rider ("Rider AD"), which includes incentives for customers locating in Urban Redevelopment, Brownfield Redevelopment, and other Economic Development Zones.

Mr. Keeping describes these incentives in his direct testimony. The terms and conditions for receiving service under these Riders are included in the proposed Tariff.

d. General Terms and Conditions

Q. Are you proposing changes to the General Terms and Conditions?

A. Yes.

Q. Please describe the proposed change to Sheet No. 50.

A. On Sheet No. 50, under APPLICATION OR CONTRACT REQUIRED FOR GAS SERVICE, new language under paragraph "G" is being proposed. This language allows the Company to refuse or disconnect gas service due to arrearages owed by a former customer if service is being provided or requested at the same premises under a different person's name but the customer responsible for the arrearage still resides at the premises. This same language appears in the Vectren North Tariff for Gas Service, and is consistent with 170 IAC 5-1-16(c)(3).

Q. Please describe the proposed revisions to Rule 6, Sheet No. 51 -- Extension of Company Facilities.

A. As described more fully below, Vectren South is proposing to revise its facilities extension calculation from a three-year total revenue test to a five and one-half year non-gas cost revenue test.

Q. Please describe Vectren South's current facilities extension deposit policy.

A. Vectren South's current Rule 6, Sheet No. 51, Extension of Company Facilities is patterned off of 170 IAC 5-1-27(B). It provides that Vectren South will make gas facilities extensions free of charge if the estimated total revenue, for a period of three (3) years, from the prospective customer or customers, is at least equal to the actual cost of such extension. A deposit is required for any shortfall. 170 IAC 5-1-27(C)(3) also provides that the gas utility must refund to the initial facility extension applicants an amount equal to three (3) times the estimated annual revenue from new customers, less the cost to extend service to such new customers.

Q. Does Vectren South have an issue with the total revenue test provided under Section 27?

A. Yes. The use of total revenue to calculate the gas facility extension credit is increasingly unfair to Vectren South and to our current customers. Total revenue includes recovery of costs other than gas distribution related costs, e.g. pass through costs such as gas commodity, contract gas storage, and pipeline transportation that the utility recovers on a dollar for dollar basis through the quarterly GCA process. Wholesale gas prices have been very high and volatile in recent history. To include this volatile operating expense in prospective customer revenues to determine whether that new customer will actually generate enough revenue for the utility to earn a fair return on its gas distribution investment is unworkable.

Q. Is using total revenues including near record high commodity costs to determine gas facility extension credit for new customers fair to Vectren South or its existing customers?

A. No. The total revenue formula can lead to an intergenerational inequity between current and future customers. Under the total revenue test, Vectren South could be required to divert cash flow to pay for facility extensions that hold no promise of yielding any return for many years to come. The cash flow that is so diverted could otherwise be used to pay for necessary capital improvements, operating expenses and/or delay the need for and diminish the level of subsequent rate relief. Because it includes volatile gas costs, the total revenue test may not result in a margin to Vectren South sufficient to pay the return of and a return on the extension investment over a reasonable time. The total revenue formula is inconsistent with the regulatory principle of cost causation. The result is that Vectren South and current customers could subsidize new customers, with no accurate price signals sent as to the actual cost of new customer extensions. Moreover, given gas price volatility, new customers would also be treated differently. To the extent the revenue formula swings due to gas costs spikes and declines, the timing of the customer's request for an extension could impact the amount of the required deposit.

Q. What remedy do you propose?

A. The Company requests approval of a variance from the total revenue test. 170 IAC 5-1-27(C)(2) provides that if the revenue to be received from a new extension is so meager as to make it doubtful whether the revenue would ever pay a fair return on the investment, the utility shall submit the agreement for such extension to the Commission for investigation and determination. This provision demonstrates the Commission recognized at the time the regulation was adopted that exception should be made if a fair return on extension investments could not be obtained. More pointedly, 170 IAC 5-1-27(F) allows a gas utility to request variations and alternatives from the extension rule. The Company's proposed Rule 6, Sheet 51, proposes a variance from the Commission's extension rule.

Q. What variance from the Commission's extension regulation does Vectren South seek?

A. Vectren South proposes that the three year total revenue test be modified to a five and one-half year non-gas cost revenue test which would exclude gas commodity, pipeline transportation and contract storage costs. This change should allow Vectren South the opportunity to earn a reasonable return within a reasonable period of time on new extension costs and prevent the subsidization of new customers by current customers.

Q. Is this proposed modification consistent with Vectren North's Tariff for Gas Service?

A. Yes. The Commission approved this change in Vectren North's Tariff in Cause

No. 42598.

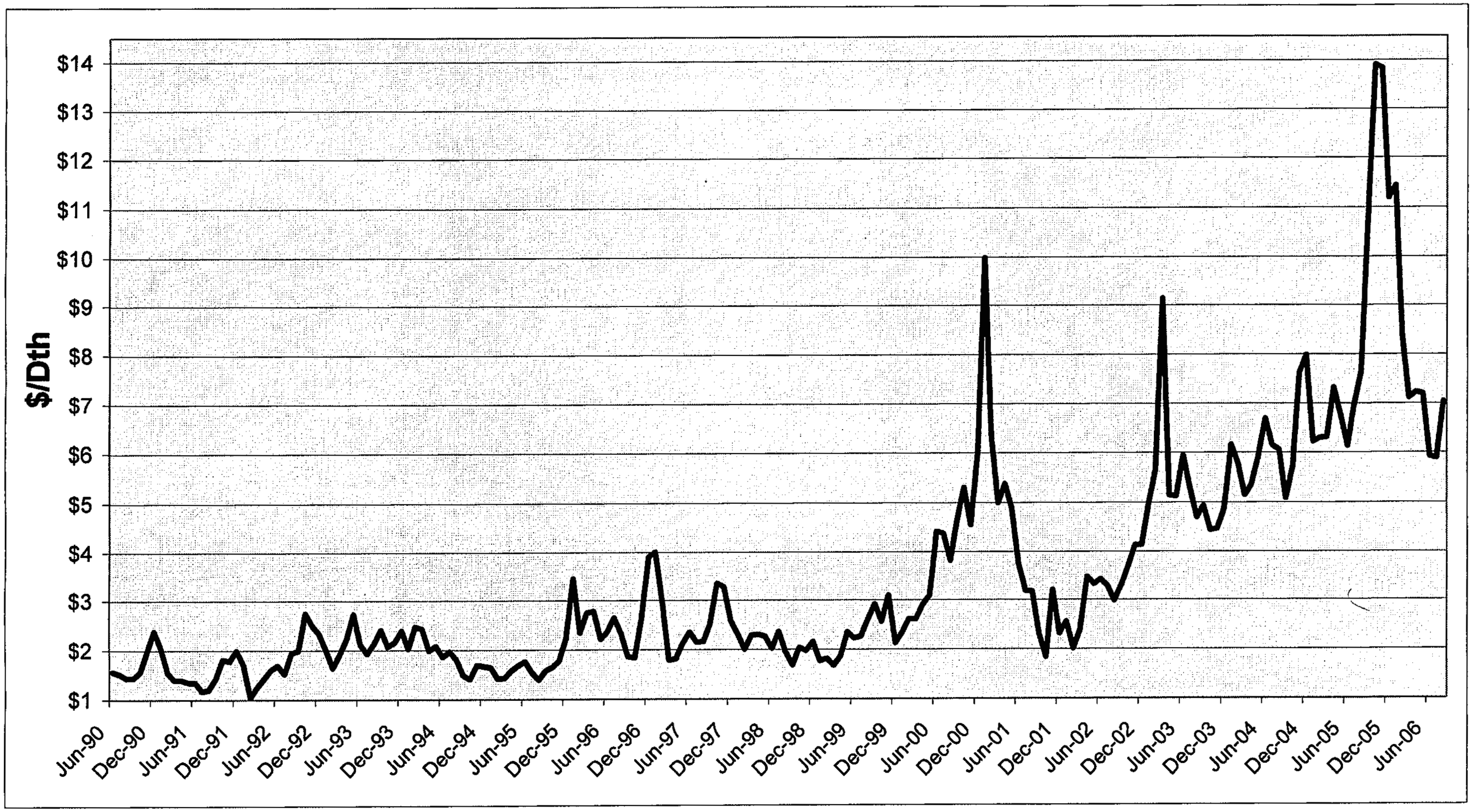
Q. Please describe the proposed change to Sheet No. 57.

A. A change has been made in paragraph D to reflect the Commission's November 30, 2005 rulemaking (IURC RM #05-03), which requires utilities to pay interest on customer deposits held more than thirty (30) days. Vectren South has been appropriately applying interest to these deposits, consistent with the rulemaking, since that time.

Q. Does this conclude your direct testimony?

A. Yes, at this time.

HISTORICAL NYMEX NATURAL GAS SETTLEMENT PRICING
June 1990 - August 2006



UNACCOUNTED FOR GAS
OTHER UTILITIES WITH GCA COST RECOVERY
AVERAGE UAFG PERCENTAGE 2002-2005

Line	Company	State	Average UAFG Percentage *
1	Southwest Gas	Arizona	0.78
2	UniSource Energy	Arizona	2.23
3	Delmarva	Delaware	1.49
4	Avista	Idaho	2.55
5	North Shore Gas	Illinois	1.27
6	Peoples Gas Light & Coke	Illinois	2.49
7	Atmos	Illinois	1.45
8	Atmos Energy	Kansas	1.27
9	Kansas Gas Service	Kansas	1.14
10	Louisville Gas and Electric	Kentucky	2.73
11	Washington Gas Light	Maryland	3.70
12	Bay State Gas	Massachusetts	0.58
13	Southwest Gas	Nevada	0.34
14	South Jersey Gas	New Jersey	2.59
15	New Jersey Natural Gas	New Jersey	0.70
16	Piedmont Natural Gas	North Carolina	0.24
17	Public Service of North Carolina	North Carolina	0.95
18	Vectren Energy Delivery of Ohio	Ohio	1.63
19	Oklahoma Natural Gas	Oklahoma	1.12
20	Avista	Oregon	1.15
21	Northwest Natural	Oregon	0.55
22	Chattanooga Gas Company	Tennessee	2.47
23	Atmos (Mid-Texas)	Texas	2.38
24	Columbia of Virginia	Virginia	1.90
25	Northwest Natural	Washington	0.55
26	Wisconsin Electric	Wisconsin	N/A
27	Wisconsin Gas	Wisconsin	N/A
28	Wisconsin Public Service	Wisconsin	0.42
	Average		1.49
	Median		1.27

Source: Annual Operating Reports to Department of Transportation

* Average reported percentage where report available and for years percentage exceeded zero

Petitoner's Exhibit No. SEA-4
Vectren South - Gas
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UNACCOUNTED FOR GAS PERCENTAGE
COMPARISON OF VARIOUS GROUPS OF UTILITIES 2002-2005

	Average Number of Companies	Average UAFG Percentage
All US Gas Utilities	935	3.26
All Indiana Gas Utilities	28	2.03
Utilities of Similar Size (within +/- 20% of Vectren South) based on:		
Miles of main	27	1.72
Number of service lines	21	1.90

Source: Annual Operating Reports to Department of Transportation

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Schedule 1
Page 1 of 2

CURRENT GCA SCHEDULES

VECTREN SOUTH
Determination of Gas Cost Adjustment (GCA)
Estimated Period August 1, 2006 Through October 31, 2006

Line No.	Estimated Cost of Gas to be Recovered	(A) Demand		(B) Commodity and Other Total	(C) Aug-06	(D) Sep-06	(E) Oct-06	(F) Total
1	Purchased Gas Cost	$ 1,893,858		15,605,626	4,870,745	5,098,606	5,636,274	$ 17,499,483
2	Contracted Storage and Transportation Cost	-		-	-	-	-	-
3	Gas (Injected)/Withdrawn from Storage - Net Cost	-		(8,155,686)	(3,374,840)	(3,311,056)	(1,469,790)	(8,155,686)
4	Total Estimated Gas Cost	1,893,858		7,449,940	1,495,905	1,787,550	4,166,484	9,343,797
5	Less: Cost to be recovered under schedules Containing provisions for Changes in Gas Cost	-		-	-	-	-	-
6	Estimated Cost of Unaccounted for Gas	-		119,199	23,934	28,601	66,664	119,199
7	Net Cost of Gas to be Recovered	$ 1,893,858		7,330,741	1,471,971	1,758,949	4,099,820	$ 9,224,598
	Estimated Sales Volume							
	Rate Schedule	All GCA Classes	Rate 110	Rate 120	Rate 129			
8	Total Estimated Sales in Dth	1,046,000	619,036	426,934	30			
9	Less: Estimated Sales Under Rate Schedules With Provisions for Changes in Gas Cost	-	-	-	-			
10	Sales Subject to Gas Cost Adjustment (Dth)	1,046,000	619,036	426,934	30			
10a	August 2006	211,000	115,475	95,515	10			
10b	September 2006	257,000	149,080	107,910	10			
10c	October 2006	578,000	354,481	223,509	10			
11	Percent of Total Sales	100.00%	59.18%	40.82%	0.00%			
11a	August 2006	100.00%	54.73%	45.27%	0.00%			
11b	September 2006	100.00%	58.01%	41.99%	0.00%			
11c	October 2006	100.00%	61.33%	38.67%	0.00%			

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CURRENT GCA SCHEDULES

VECTREN SOUTH
Determination of Gas Cost Adjustment (GCA)
Estimated Period August 1, 2006 Through October 31, 2006

Line No.	Gas Cost Adjustment Rate	All GCA Classes	Rate 110	Rate 120	Rate 129
12	Demand Gas Cost Variance (Schedule 12B)	$ 100,384	$ 79,295	$ 21,089	$ -
12a	August 2006	$ 19,510	$ 14,792	$ 4,718	$ -
12b	September 2006	$ 24,426	$ 19,096	$ 5,330	$ -
12c	October 2006	$ 56,448	$ 45,407	$ 11,041	$ -
13	Demand Variance Per Dth (L 12/Sch. 2 Sales)	$ 0.096	$ 0.128	$ 0.049	$ -
13a	August 2006	$ 0.092	$ 0.128	$ 0.049	$ -
13b	September 2006	$ 0.095	$ 0.128	$ 0.049	$ -
13c	October 2006	$ 0.098	$ 0.128	$ 0.049	$ -
14	Commodity Variance (Schedule 12B)	$ 15,781			
14a	August 2006	$ 3,183			
14b	September 2006	$ 3,877			
14c	October 2006	$ 8,721			
15	Excess Return Reduction Per Dth	-			
16	Comm. Variance Per Dth (L 14 + L 15/Sch. 2 Sales)	$ 0.015			
16a	August 2006	$ 0.015			
16b	September 2006	$ 0.015			
16c	October 2006	$ 0.015			
17	Commodity Dollars to be Refunded (Schedule 12A)	$ -			
18	Refunds Per Dth	$ -			
	Commodity Costs Allocated by Sales				
19	Total - (Line 7, Col B)	$ 7,330,741			
19a	August 2006 (Line 7, col C)	$ 1,471,971			
19b	September 2006 (Line 7, col D)	$ 1,758,949			
19c	October 2006 (Line 7, col E)	$ 4,099,820			
20	Monthly Commodity Costs per Dth (L 19/Sch. 2)	$ 7.008			
20a	August 2006	$ 6.976			
20b	September 2006	$ 6.844			
20c	October 2006	$ 7.093			
21	Total Commodity Costs per Dth (L 20 - L 18 + L 16)	$ 7.023			
21a	August 2006	$ 6.991			
21b	September 2006	$ 6.859			
21c	October 2006	$ 7.108			
22	Estimated Demand Costs (Sch. 1A)	$ 0.751	$ 0.788	$ 0.677	$ 0.677
	Total Costs to be Recovered per Dth				
23	(L 13 + L 21 + L 22)	$ 7.870	$ 7.939	$ 7.749	$ 7.700
23a	August 2006	$ 7.834	$ 7.907	$ 7.717	$ 7.668
23b	September 2006	$ 7.705	$ 7.775	$ 7.585	$ 7.536
23c	October 2006	$ 7.957	$ 8.024	$ 7.834	$ 7.785
	Gas Cost Adjustment Modified for				
24	Indiana Utility Receipts Tax	$ 7.992	$ 8.062	$ 7.869	$ 7.820
24a	August 2006	$ 7.956	$ 8.030	$ 7.837	$ 7.787
24b	September 2006	$ 7.825	$ 7.896	$ 7.703	$ 7.653
24c	October 2006	$ 8.081	$ 8.149	$ 7.956	$ 7.906

Cause No. 37366-GCA91

CURRENT GCA SCHEDULES

VECTREN SOUTH
Calculation of Gas Cost Variance for
December 2005

Line No.					
1	Rate Schedule	Rate 110	Rate 120	Rate 129	TOTAL
2	Sales Subject to GCA - Dth	1,341,789	665,652	-	2,007,441
3	Percent of Total Sales	66.84%	33.16%	0.00%	100.00%
	Reconciliation of Demand Gas Costs				
4	Actual Demand Cost of Gas Incurred (Schedule 7)	$ 676,490	286,348	-	$ 962,838
5	Demand Actual Cost of Gas Billed Including Gross Receipts Tax	$ 1,153,939	477,938		$ 1,631,877
6	Demand Actual Cost of Gas Billed Excluding Gross Receipts Tax	$ 1,136,495	470,616		$ 1,607,111
7	Demand Variance From Prior Causes	$ 144,032	43,149		$ 187,181
8	Demand GCA Cost recovered to be reconciled with incremental cost incurred (L 6 - L 7)	$ 992,463	427,467	-	1,419,930
9	**Total Demand Gas Cost Variance (L 4 - L 8) (Over)/Under Recovery**	**$ (315,973)**	**$ (141,119)**	**$ -**	**$ (457,092)**
	Reconciliation of Commodity Gas Costs				
10	Actual Commodity Cost of Gas (Sch 7, L 3, Col B) x(Sch 6, L 3)	$ 16,848,118	8,358,522	-	$ 25,206,640
11	Cost of Unaccounted For Gas (Sch 11, L 13)*(Sch 6, L 3)	2,197,307	1,090,106	-	3,287,413
12	Commodity Gas Cost (L 10 - L 11)	$ 14,650,811	7,268,416	-	$ 21,919,227
13	Commodity Actual Cost of Gas Billed Including Gross Receipts Tax	$ 14,583,905	7,234,972		$ 21,818,877
14	Commodity Actual Cost of Gas Billed Excluding Gross Receipts Tax	$ 14,361,168	7,124,473		$ 21,485,641
15	Commodity Variance From Prior Causes	$ (83,041)	(41,197)	-	$ (124,238)
16	Refund Dollars	2,482	1,232	-	3,714
17	Commodity GCA Cost recovered to be reconciled with commodity cost incurred (L 14 - L 15 + L 16))	$ 14,446,691	7,166,902	-	$ 21,613,593
18	**Commodity Gas Cost Variance (L 12 - L 17) (Over)/Under Recovery**	**$ 204,120**	**101,514**	**-**	**$ 305,634**
19	**Total Gas Cost Variance (Over)/Under Recovery (L 9 + L 18)**	**$ (111,853)**	**$ (39,605)**	**$ -**	**$ (151,458)**

Cause No. 37366-GCA91

CURRENT GCA SCHEDULES

VECTREN SOUTH
Calculation of Gas Cost Variance for
January 2006

Line No.		Rate 110	Rate 120	Rate 129	TOTAL
1	Rate Schedule	Rate 110	Rate 120	Rate 129	TOTAL
2	Sales Subject to GCA - Dth	1,200,909	603,694	-	1,804,603
3	Percent of Total Sales	66.55%	33.45%	0.00%	100.00%
	Reconciliation of Demand Gas Costs				
4	Actual Demand Cost of Gas Incurred (Schedule 7)	$ 676,490	286,348	-	$ 962,838
5	Demand Actual Cost of Gas Billed Including Gross Receipts Tax	$ 1,033,983	433,452		$ 1,467,435
6	Demand Actual Cost of Gas Billed Excluding Gross Receipts Tax	$ 1,017,170	426,812		$ 1,443,982
7	Demand Variance From Prior Causes	$ 180,090	52,375		$ 232,465
8	Demand GCA Cost recovered to be reconciled with incremental cost incurred (L 6 - L 7)	837,080	374,437	-	1,211,517
9	**Total Demand Gas Cost Variance (L 4 - L 8) (Over)/Under Recovery**	**$ (160,590)**	**(88,089)**	**-**	**$ (248,679)**
	Reconciliation of Commodity Gas Costs				
10	Actual Commodity Cost of Gas Sch 7, L 3, Col B x Sch 6, L 3	$ 12,123,306	6,093,532	-	$ 18,216,838
11	Cost of Unaccounted For Gas (Sch 11, L 13)*(Sch 6, L 3)	(1,488,822)	(748,326)	-	(2,237,148)
12	Commodity Gas Cost (L 10 - L 11)	$ 13,612,128	6,841,858	-	$ 20,453,986
13	Commodity Actual Cost of Gas Billed Including Gross Receipts Tax	$ 14,242,781	7,159,811		$ 21,402,592
14	Commodity Actual Cost of Gas Billed Excluding Gross Receipts Tax	$ 14,025,416	7,050,542		$ 21,075,958
15	Commodity Variance From Prior Causes	(102,417)	(51,478)	-	$ (153,895)
16	Refund Dollars	3,062	1,539	-	4,601
17	Commodity GCA Cost recovered to be reconciled with commodity cost incurred (L 14 - L 15 + L 16))	$ 14,130,895	7,103,559	-	$ 21,234,454
18	**Commodity Gas Cost Variance (L 12 - L 17) (Over)/Under Recovery**	**$ (518,767)**	**(261,701)**	**-**	**$ (780,468)**
19	**Total Gas Cost Variance (Over)/Under Recovery (L 9 + L 18)**	**$ (679,357)**	**$ (349,790)**	**$ -**	**$ (1,029,147)**

Cause No. 37366-GCA91

CURRENT GCA SCHEDULES

VECTREN SOUTH
Calculation of Gas Cost Variance for
February 2006

Line No.					
1	Rate Schedule	Rate 110	Rate 120	Rate 129	TOTAL
2	Sales Subject to GCA - Dth	1,104,862	553,323	-	1,658,185
3	Percent of Total Sales	66.63%	33.37%	0.00%	100.00%
	Reconciliation of Demand Gas Costs				
4	Actual Demand Cost of Gas Incurred (Schedule 7)	$ 617,902	261,549	-	$ 879,451
5	Demand Actual Cost of Gas Billed Including Gross Receipts Tax	$ 965,649	399,499	-	$ 1,365,148
6	Demand Actual Cost of Gas Billed Excluding Gross Receipts Tax	$ 951,286	393,413		$ 1,344,699
7	Demand Variance From Prior Causes	$ 157,328	42,141		$ 199,469
8	Demand GCA Cost recovered to be reconciled with incremental cost incurred (L 6 - L 7)	793,958	351,272	-	1,145,230
9	**Demand Gas Cost Variance (L 4 - L 8)**	**$ (176,056)**	**(89,723)**	**-**	**$ (265,779)**
	Reconciliation of Commodity Gas Costs				
10	Actual Commodity Cost of Gas Sch 7, L 3, Col B x Sch 6, L 3	$ 10,981,987	5,500,059	-	$ 16,482,046
11	Cost of Unaccounted For Gas (Sch 11, L 13)*(Sch 6, L 3)	849,929	425,666	-	1,275,595
12	Commodity Gas Cost (L 10 - L 11)	$ 10,132,058	5,074,393	-	$ 15,206,451
13	Commodity Actual Cost of Gas Billed Including Gross Receipts Tax	$ 10,728,210	5,372,766		$ 16,100,976
14	Commodity Actual Cost of Gas Billed Excluding Gross Receipts Tax	$ 10,563,586	5,290,321		$ 15,853,907
15	Commodity Variance From Prior Causes	$ (145,045)	(72,642)	-	$ (217,687)
16	Refund Dollars	2,581	1,292		3,873
17	Commodity GCA Cost recovered to be reconciled with commodity cost incurred (L 14 - L 15 + L 16))	$ 10,711,212	5,364,255	-	$ 16,075,467
18	**Commodity Gas Cost Variance (L 12 - L 17) (Over)/Under Recovery**	**$ (579,154)**	**(289,862)**	**-**	**$ (869,016)**
19	**Total Gas Cost Variance (Over)/Under Recovery (L 9 + L 18)**	**$ (755,210)**	**$ (379,585)**	**$ -**	**$ (1,134,795)**

Cause No. 37366-GCA91 **Schedule 11**

CURRENT GCA SCHEDULES

VECTREN SOUTH

Determination of Unaccounted for Gas (in Dth)
For three month period ending February 28, 2006

Line No.		(A) December	(B) January	(C) February
1	Volume of Purchased gas received	1,640,623	1,453,466	1,119,319
2	Transported gas received	1,914,565	1,846,982	1,676,908
3	Transportation Retention	30,633	29,552	26,831
4	Total Gas Injected Into/Withdrawn from storage	595,562	64,640	623,223
5	Local Production	4,624	4,978	4,916
6	Gas Usage Not billed - Non Reg meter	(136)	(658)	(474)
7	Total Quantity of Gas Available (L 1 + L 2 + L 4 + L 5 + L6)	4,155,238	3,369,408	3,423,892
8	Total Gas Available less Retention (L 7 - L 3)	4,124,605	3,339,856	3,397,061
9	Volume of Gas Sold	2,007,441	1,804,604	1,658,185
10	Total Transportation Usage	1,816,091	1,732,630	1,599,779
11	Total Gas Delivered to Customers (L 9 + L 10)	3,823,532	3,537,234	3,257,964
12	Unaccounted for Gas (Line 7 - Line 11)	331,706	(167,826)	165,928
13	Volume of Unaccounted for Gas less retention (L 12 - L 3)	301,073	(197,378)	139,097
14	Percent of Unaccounted For Gas (Line 12/Line 7)	8.0%	-5.0%	4.8%
15	Net Cost of Gas (Sch 7, L 2, col b)	$ 25,206,640	$ 18,216,838	$ 16,482,046
16	Cost of Unaccounted For Gas (L 13*(L 15/ (L 8 - L 10)) To Schedule 6, L 6	$ 3,287,413	$ (2,237,148)	$ 1,275,595

Schedule 11 A

CURRENT GCA SCHEDULES

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
Determination of Annual Unaccounted for Gas Level

Line No.	Description	Aug 2004	Sep 2004	Oct 2004	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005	Apr 2005	May 2005	June 2005	July 2005	August 2005	12 months ending 07/31/05	13 month Total
1	Volume of Unaccounted for Gas (Schedule 11) - Dth	30,543	107,332	(27,418)	(29,780)	405,236	(5,378)	(156,210)	95,713	(129,230)	(35,032)	(7,951)	14,086	(29,052)	261,911	232,859
2	Total Volume Available (Line 4, Sch 11) - Dth															
3	Percent of Unaccounted for Gas (Line 1/Line2)															
4	Sum of Quarterly Gas Costs (Line 11, Sch 11)															
5	Cost of Unaccounted for Gas (Line 3 * Line 4)															

Instructions:

This schedule is to be filed once a year, along with Schedule 11 (which is to be filed with each GCA, when the data for the twelve months beginning and ending in the warmer months becomes available.

Complete Line 1

If the "Total" column of Line 1 is negative, (sales exceed gas available) then complete the remainder of the schedule and treat the amount on Line 5, *as a new supplier refund.*

Do not complete the remainder of the schedule if the "Total" in Line 1 is positive.

Petitioner's Exhibit No. SEA-5
Vectren South - Gas
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CURRENT GCA SCHEDULES

Schedule 11B

Vectren South
Annualization Adjustment for Unaccounted-for Gas Costs
For the Period September 2004 - August 2005

AS FILED IN GCA 89 PRE-LIFO ADJUSTMENT:

Month	(1) Volume of Gas Available (Dth)	(2) Volume of Gas Delivered (Dth)	(3) Volume of Unaccounted for Gas (Dth)	(4) % of Unaccounted for Gas (%)	(5) Gas Transported to Customers (Dth)	(6) Transportation Retention	(7) Cost of Gas for UAF Determination	(8) Total Cost of UAF as Filed	(9) Unit Cost of UAF	(10) Levelized UAF Volumes	(11) Adjusted (Annualized) UAF Cost	(12) Unaccounted For Adjustment
	Sch.11, L7	Sch. 11, L11	Sch. 11, L12	Sch. 11, L14	Sch. 11, L10	Sch. 11, L3	Sch 11, L15	Sch. 11, L16	(7)/[(1)-(5)-(6)]	Total UAF% *(1)	(9)*[(10)-(6)]	(8)-(11)
September-04	1,723,105	1,615,773	107,332	6.229%	1,271,819	36,477	$ 1,850,733	$ 316,130	$ 4.46			
October-04	1,908,592	1,936,010	(27,418)	-1.437%	1,463,360	22,673	$ 2,434,887	$ (288,636)	$ 5.76			
November-04	2,540,083	2,569,863	(29,780)	-1.172%	1,559,503	24,827	$ 6,437,113	$ (367,785)	$ 6.74			
December-04	4,069,285	3,664,049	405,236	9.958%	1,714,232	27,756	$ 12,611,410	$ 2,045,530	$ 5.42			
January-05	4,429,019	4,434,397	(5,378)	-0.121%	2,143,957	33,408	$ 14,565,268	$ (250,895)	$ 6.47			
February-05	3,347,547	3,503,757	(156,210)	-4.666%	1,628,085	27,370	$ 10,432,459	$ (1,131,848)	$ 6.17			
March-05	3,291,814	3,196,101	95,713	2.908%	1,684,300	27,614	$ 9,780,449	$ 421,570	$ 6.19			
April-05	2,213,115	2,342,345	(129,230)	-5.839%	1,634,351	26,900	$ 3,602,030	$ (1,019,064)	$ 6.53			
May-05	1,703,121	1,738,153	(35,032)	-2.057%	1,302,692	22,269	$ 2,458,070	$ (372,461)	$ 6.50			
June-05	1,755,400	1,763,351	(7,951)	-0.453%	1,497,825	22,965	$ 1,588,390	$ (209,312)	$ 6.77			
July-05	1,636,083	1,621,997	14,086	0.861%	1,382,718	22,691	$ 1,430,866	$ (53,377)	$ 6.20			
August-05	1,723,176	1,752,228	(29,052)	-1.686%	1,497,317	23,873	$ 1,476,101	$ (386,773)	$ 7.31			
Total	30,340,340	30,138,024	202,316	0.667%	18,780,159	318,823	$ 68,667,776	$ (1,296,921)	$ 6.11	202,370	$ (711,528)	$ (585,393)

AFTER LIFO ADJUSMENT:

Month	(1) Volume of Gas Available (Dth)	(2) Volume of Gas Delivered (Dth)	(3) Volume of Unaccounted for Gas (Dth)	(4) % of Unaccounted for Gas (%)	(5) Gas Transported to Customers (Dth)	(6) Transportation Retention	(7) Cost of Gas for UAF Determination	(8) Total Cost of UAF as Filed	(9) Unit Cost of UAF	(10) Levelized UAF Volumes	(11) Adjusted (Annualized) UAF Cost	(12) Unaccounted For Adjustment
	Sch.11, L7	Sch. 11, L11	Sch. 11, L12	Sch. 11, L14	Sch. 11, L10	Sch. 11, L3	Sch 11, L15	Sch. 11, L16	(7)/[(1)-(5)-(6)]	Total UAF% *(1)	(9)*[(10)-(6)]	(8)-(11)
September-04	1,723,105	1,615,773	107,332	6.229%	1,271,819	36,477	$ 1,850,733	$ 316,130	$ 4.46			
October-04	1,908,592	1,936,010	(27,418)	-1.437%	1,463,360	22,673	$ 2,434,887	$ (288,636)	$ 5.76			
November-04	2,540,083	2,569,863	(29,780)	-1.172%	1,559,503	24,827	$ 6,437,113	$ (367,785)	$ 6.74			
December-04	4,069,285	3,664,049	405,236	9.958%	1,714,232	27,756	$ 12,611,410	$ 2,045,530	$ 5.42			
January-05	4,429,019	4,434,397	(5,378)	-0.121%	2,143,957	33,408	$ 16,325,465	$ (281,215)	$ 7.25			
February-05	3,347,547	3,503,757	(156,210)	-4.666%	1,628,085	27,370	$ 11,446,028	$ (1,241,813)	$ 6.76			
March-05	3,291,814	3,196,101	95,713	2.908%	1,684,300	27,614	$ 10,966,246	$ 472,682	$ 6.94			
April-05	2,213,115	2,342,345	(129,230)	-5.839%	1,634,351	26,900	$ 3,089,999	$ (874,204)	$ 5.60			
May-05	1,703,121	1,738,153	(35,032)	-2.057%	1,302,692	22,269	$ 1,425,227	$ (215,959)	$ 3.77			
June-05	1,755,400	1,763,351	(7,951)	-0.453%	1,497,825	22,965	$ 658,087	$ (86,720)	$ 2.81			
July-05	1,636,083	1,621,997	14,086	0.861%	1,382,718	22,691	$ 643,518	$ (24,006)	$ 2.79			
August-05	1,723,176	1,752,228	(29,052)	-1.686%	1,497,317	23,873	$ 765,805	$ (200,393)	$ 3.79			
Total	30,340,340	30,138,024	202,316	0.667%	18,780,159	318,823	$ 68,654,518	$ (746,389)	$ 6.11	202,370	$ (711,528)	$ (34,861)
											Adjustment	**$ 550,532**

Cause No. 37366-GCA91

Schedule 1
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PROPOSED GCA SCHEDULES

VECTREN SOUTH
Determination of Gas Cost Adjustment (GCA)
Estimated Period August 1, 2006 Through October 31, 2006

Line No.	Estimated Cost of Gas to be Recovered	(A) Demand	(B) Commodity and Other Total	(C) Aug-06	(D) Sep-06	(E) Oct-06	(F) Total
1	Purchased Gas Cost	$ 1,893,858	15,605,626	4,870,745	5,098,606	5,636,274	$ 17,499,483
2	Contracted Storage and Transportation Cost	-	-	-	-	-	-
3	Gas (Injected)/Withdrawn from Storage - Net Cost	-	(8,155,686)	(3,374,840)	(3,311,056)	(1,469,790)	(8,155,686)
4	Total Estimated Gas Cost	1,893,858	7,449,940	1,495,905	1,787,550	4,166,484	9,343,797
5	Less: Cost to be recovered under schedules Containing provisions for Changes in Gas Cost	-	-	-	-	-	-
6	Estimated Base Rate Cost of Unaccounted for Gas		94,140	18,990	23,130	52,020	94,140
7	Net Cost of Gas to be Recovered	$ 1,893,858	$ 7,355,800	$ 1,476,915	$ 1,764,420	$ 4,114,464	$ 9,249,657

Estimated Sales Volume

Line No.	Rate Schedule	All GCA Classes	Rate 110	Rate 120	Rate 129
8	Total Estimated Sales in Dth	1,046,000	619,036	426,934	30
9	Less: Estimated Sales Under Rate Schedules With Provisions for Changes in Gas Cost	-	-	-	-
10	Sales Subject to Gas Cost Adjustment (Dth)	1,046,000	619,036	426,934	30
10a	August 2006	211,000	115,475	95,515	10
10b	September 2006	257,000	149,080	107,910	10
10c	October 2006	578,000	354,481	223,509	10
11	Percent of Total Sales	100.00%	59.18%	40.82%	0.00%
11a	August 2006	100.00%	54.73%	45.27%	0.00%
11b	September 2006	100.00%	58.01%	41.99%	0.00%
11c	October 2006	100.00%	61.33%	38.67%	0.00%

Cause No. 37366-GCA91

PROPOSED GCA SCHEDULES

VECTREN SOUTH
Determination of Gas Cost Adjustment (GCA)
Estimated Period August 1, 2006 Through October 31, 2006

Line No.	Gas Cost Adjustment Rate	All GCA Classes	Rate 110	Rate 120	Rate 129
12	Demand Gas Cost Variance (Schedule 12B)	$ 100,384	$ 79,295	$ 21,089	$ -
12a	August 2006	$ 19,510	$ 14,792	$ 4,718	$ -
12b	September 2006	$ 24,426	$ 19,096	$ 5,330	$ -
12c	October 2006	$ 56,448	$ 45,407	$ 11,041	$ -
13	Demand Variance Per Dth (L 11/Sch. 2 Sales)	$ 0.096	$ 0.128	$ 0.049	$ -
13a	August 2006	$ 0.092	$ 0.128	$ 0.049	$ -
13b	September 2006	$ 0.095	$ 0.128	$ 0.049	$ -
13c	October 2006	$ 0.098	$ 0.128	$ 0.049	$ -
14	Commodity Variance (Schedule 12B)	$ 103,091			
14a	August 2006	$ 20,796			
14b	September 2006	$ 25,329			
14c	October 2006	$ 56,966			
15	Excess Return Reduction Per Dth	-			
16	Comm. Variance Per Dth (L 14 + L 15/Sch. 2 Sales)	$ 0.099			
16a	August 2006	$ 0.099			
16b	September 2006	$ 0.099			
16c	October 2006	$ 0.099			
17	Commodity Dollars to be Refunded (Schedule 12A)	$ -			
18	Refunds Per Dth	$ -			
19	Bad Debt Gas Cost Variance (Schedule 12C)	$ 661			
19a	August 2006	$ 133			
19b	September 2006	$ 162			
19c	October 2006	$ 365			
20	Bad Debt Gas Cost Variance Per Dth (L 19 /Sch. 2 Sales)	$ 0.001			
20a	August 2006	$ 0.001			
20b	September 2006	$ 0.001			
20c	October 2006	$ 0.001			
	Commodity Costs Allocated by Sales				
21	Total - (Line 7, Col B)	$ 7,355,800			
21a	August 2006 (Line 7, col C)	$ 1,476,915			
21b	September 2006 (Line 7, col D)	$ 1,764,420			
21c	October 2006 (Line 7, col E)	$ 4,114,464			
22	Monthly Commodity Costs per Dth (L 21/Sch. 2)	$ 7.032			
22a	August 2006	$ 7.000			
22b	September 2006	$ 6.865			
22c	October 2006	$ 7.118			
23	Total Commodity Costs per Dth (L 22 - L 18 + L 16)	$ 7.131			
23a	August 2006	$ 7.099			
23b	September 2006	$ 6.964			
23c	October 2006	$ 7.217			
24	Estimated Demand Costs (Sch. 1A)	$ 0.751	$ 0.788	$ 0.677	$ 0.677
25	Total Costs to be Recovered per Dth (L 13 + L 20 + L 23 + L 24)	$ 7.979	$ 8.048	$ 7.858	$ 7.809
25a	August 2006	$ 7.943	$ 8.016	$ 7.826	$ 7.777
25b	September 2006	$ 7.811	$ 7.881	$ 7.691	$ 7.642
25c	October 2006	$ 8.067	$ 8.134	$ 7.944	$ 7.895
26	Gas Cost Adjustment Modified for Indiana Utility Receipts Tax	$ 8.103	$ 8.173	$ 7.980	$ 7.930
26a	August 2006	$ 8.066	$ 8.141	$ 7.948	$ 7.898
26b	September 2006	$ 7.932	$ 8.003	$ 7.811	$ 7.761
26c	October 2006	$ 8.192	$ 8.260	$ 8.067	$ 8.018

Cause No. 37366-GCA91

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PROPOSED GCA SCHEDULES

VECTREN SOUTH
Calculation of Gas Cost Variance for
December 2005

Line No.		Rate 110	Rate 120	Rate 129	TOTAL
1	Rate Schedule	Rate 110	Rate 120	Rate 129	TOTAL
2	Sales Subject to GCA - Dth	1,341,789	665,652	-	2,007,441
3	Percent of Total Sales	66.84%	33.16%	0.00%	100.00%
	Reconciliation of Demand Gas Costs				
4	Actual Demand Cost of Gas Incurred (Schedule 7)	$ 676,490	286,348	-	$ 962,838
5	Demand Actual Cost of Gas Billed Including Indiana Utility Receipts Tax	$ 1,153,939	477,938		$ 1,631,877
6	Demand Actual Cost of Gas Billed Excluding Indiana Utility Receipts Tax	$ 1,136,495	470,616		$ 1,607,111
7	Demand Variance From Prior Causes	$ 144,032	43,149		$ 187,181
8	Demand GCA Cost recovered to be reconciled with incremental cost incurred (L 6 - L 7)	$ 992,463	427,467	-	1,419,930
9	**Total Demand Gas Cost Variance (L 4 - L 8) (Over)/Under Recovery**	**$ (315,973)**	**$ (141,119)**	**$ -**	**$ (457,092)**
	Reconciliation of Commodity Gas Costs				
10	Actual Commodity Cost of Gas (Sch 7, L 3, Col B) x(Sch 6, L 3)	$ 16,848,118	8,358,522	-	$ 25,206,640
11	Adjusted Order Granted Unaccounted For Gas Costs (Sch. 11, P. 2, L 5)	$177,364	$82,802	$0	$260,167
12	Commodity Cost of Gas (L 10 - L 11)	$ 16,670,754	$ 8,275,720	$ -	$ 24,946,473
13	Commodity Actual Cost of Gas Billed Including Indiana Utility Receipts Tax	$ 14,583,905	7,234,972		$ 21,818,877
14	Commodity Actual Cost of Gas Billed Excluding Indiana Utility Receipts Tax	$ 14,361,168	7,124,473		$ 21,485,641
15	Commodity Variance From Prior Causes	$ (83,041)	(41,197)	-	$ (124,238)
16	Refund Dollars	2,482	1,232	-	3,714
17	Commodity GCA Cost recovered to be reconciled with commodity cost incurred (L 14 - L 15 + L 16))	$ 14,446,691	7,166,902	-	$ 21,613,593
18	**Commodity Gas Cost Variance (L 12 - L 17) (Over)/Under Recovery**	**$ 2,224,063**	**$ 1,108,818**	**$ -**	**$ 3,332,880**
	Reconciliation of Bad Debt Gas Costs				
19	Actual Bad Debt Gas Cost Written Off Including Indiana Utility Receipts Tax	$ 53,138	$ 28,613	-	$ 81,751
20	Actual Bad Debt Gas Cost Written Off Excluding Indiana Utility Receipts Tax	$ 52,325	$ 28,175	-	$ 80,500
21	Adjusted Order Granted Bad Debt Gas Costs (Sch. 12 C, P. 3, L 5)	$ 47,924	$ 22,549	-	$ 70,472
22	Bad Debt Gas Cost Variance L 18 - L 19)	$ 4,401	$ 5,626	$ -	$ 10,028
23	Bad Debt Gas Cost Prior Causes	-	-	-	$ -
24	**Total Bad Debt Gas Cost Variance (L 20 + L 21) (Over)/Under Recovery**	**4,401**	**5,626**	**-**	**10,028**
25	**Total Gas Cost Variance (Over)/Under Recovery (L 9 + L 16 + L 22)**	**$ 1,912,491**	**$ 973,325**	**$ -**	**$ 2,885,816**

Cause No. 37366-GCA91

PROPOSED GCA SCHEDULES

VECTREN SOUTH
Calculation of Gas Cost Variance for
January 2006

Line No.					
1	Rate Schedule	Rate 110	Rate 120	Rate 129	TOTAL
2	Sales Subject to GCA - Dth	1,200,909	603,694	-	1,804,603
3	Percent of Total Sales	66.55%	33.45%	0.00%	100.00%
	Reconciliation of Demand Gas Costs				
4	Actual Demand Cost of Gas Incurred (Schedule 7)	$ 676,490	286,348	-	$ 962,838
5	Demand Actual Cost of Gas Billed Including Indiana Utility Receipts Tax	$ 1,033,983	433,452		$ 1,467,435
6	Demand Actual Cost of Gas Billed Excluding Indiana Utility Receipts Tax	$ 1,017,170	426,812		$ 1,443,982
7	Demand Variance From Prior Causes	$ 180,090	52,375		$ 232,465
8	Demand GCA Cost recovered to be reconciled with incremental cost incurred (L 6 - L 7)	837,080	374,437	-	1,211,517
9	**Total Demand Gas Cost Variance (L 4 - L 8) (Over)/Under Recovery**	**$ (160,590)**	**(88,089)**	**-**	**$ (248,679)**
	Reconciliation of Commodity Gas Costs				
10	Actual Commodity Cost of Gas Sch 7, L 3, Col B x Sch 6, L 3	$ 12,123,306	6,093,532	-	$ 18,216,838
11	Adjusted Order Granted Unaccounted For Gas Costs (Sch. 11, P. 2, L 5)	$217,315	$98,507	$0	$315,822
12	Commodity Cost of Gas (L 10 - L 11)	$ 11,905,991	$ 5,995,025	$ -	$ 17,901,016
13	Commodity Actual Cost of Gas Billed Including Indiana Utility Receipts Tax	$ 14,242,781	7,159,811		$ 21,402,592
14	Commodity Actual Cost of Gas Billed Excluding Indiana Utility Receipts Tax	$ 14,025,416	7,050,542		$ 21,075,958
15	Commodity Variance From Prior Causes	(102,417)	(51,478)	-	$ (153,895)
16	Refund Dollars	3,062	1,539	-	4,601
17	Commodity GCA Cost recovered to be reconciled with commodity cost incurred (L 14 - L 15 + L 16))	$ 14,130,895	7,103,559	-	$ 21,234,454
18	**Commodity Gas Cost Variance (L 12 - L 17) (Over)/Under Recovery**	**$ (2,224,904)**	**$ (1,108,534)**	**$ -**	**$ (3,333,438)**
	Reconciliation of Bad Debt Gas Costs				
19	Actual Bad Debt Gas Cost Written Off Including Indiana Utility Receipts Tax	$ 50,828	$ 27,369	-	$ 78,196
20	Actual Bad Debt Gas Cost Written Off Excluding Indiana Utility Receipts Tax	$ 50,050	$ 26,950	-	$ 77,000
21	Adjusted Order Granted Bad Debt Gas Costs (Sch. 12 C, P. 3, L 5)	$ 47,924	$ 22,553	-	$ 70,477
22	Bad Debt Gas Cost Variance L 18 - L 19)	$ 2,126	$ 4,397	$ -	$ 6,523
23	Bad Debt Gas Cost Prior Causes	-	-	-	$ -
24	**Total Bad Debt Gas Cost Variance (L 20 + L 21) (Over)/Under Recovery**	**2,126**	**4,397**	**-**	**6,523**
25	**Total Gas Cost Variance (Over)/Under Recovery (L 9 + L 16 + L 22)**	**$ (2,383,368)**	**$ (1,192,226)**	**$ -**	**$ (3,575,594)**

Cause No. 37366-GCA91

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PROPOSED GCA SCHEDULES

VECTREN SOUTH
Calculation of Gas Cost Variance for
February 2006

Line No.		Rate 110	Rate 120	Rate 129	TOTAL
1	Rate Schedule	Rate 110	Rate 120	Rate 129	TOTAL
2	Sales Subject to GCA - Dth	1,104,862	553,323	-	1,658,185
3	Percent of Total Sales	66.63%	33.37%	0.00%	100.00%
	Reconciliation of Demand Gas Costs				
4	Actual Demand Cost of Gas Incurred (Schedule 7)	$ 617,902	261,549	-	$ 879,451
5	Demand Actual Cost of Gas Billed Including Indiana Utility Receipts Tax	$ 965,649	399,499	-	$ 1,365,148
6	Demand Actual Cost of Gas Billed Excluding Indiana Utility Receipts Tax	$ 951,286	393,413		$ 1,344,699
7	Demand Variance From Prior Causes	$ 157,328	42,141		$ 199,469
8	Demand GCA Cost recovered to be reconciled with incremental cost incurred (L 6 - L 7)	793,958	351,272	-	1,145,230
9	**Demand Gas Cost Variance (L 4 - L 8)**	**$ (176,056)**	**(89,723)**	**-**	**$ (265,779)**
	Reconciliation of Commodity Gas Costs				
10	Actual Commodity Cost of Gas Sch 7, L 3, Col B x Sch 6, L 3	$ 10,981,987	5,500,059	-	$ 16,482,046
11	Adjusted Order Granted Unaccounted For Gas Costs (Sch. 11, P. 2, L 5)	$167,211	$73,733	$0	$240,944
12	Commodity Cost of Gas (L 10 - L 11)	$ 10,814,776	$ 5,426,326	$ -	$ 16,241,102
13	Commodity Actual Cost of Gas Billed Including Indiana Utility Receipts Tax	$ 10,728,210	5,372,766		$ 16,100,976
14	Commodity Actual Cost of Gas Billed Excluding Indiana Utility Receipts Tax	$ 10,563,586	5,290,321		$ 15,853,907
15	Commodity Variance From Prior Causes	$ (145,045)	(72,642)	-	$ (217,687)
16	Refund Dollars	2,581	1,292		3,873
17	Commodity GCA Cost recovered to be reconciled with commodity cost incurred (L 14 - L 15 + L 16))	$ 10,711,212	5,364,255	-	$ 16,075,467
18	**Commodity Gas Cost Variance (L 12 - L 17) (Over)/Under Recovery**	**$ 103,564**	**$ 62,071**	**$ -**	**$ 165,635**
	Reconciliation of Bad Debt Gas Costs				
19	Actual Bad Debt Gas Cost Written Off Including Indiana Utility Receipts Tax	$ 46,207	$ 24,881	-	$ 71,088
20	Actual Bad Debt Gas Cost Written Off Excluding Indiana Utility Receipts Tax	$ 45,500	$ 24,500	-	$ 70,000
21	Adjusted Order Granted Bad Debt Gas Costs (Sch. 12 C, P. 3, L 5)	$ 53,916	$ 25,375	-	$ 79,291
22	Bad Debt Gas Cost Variance L 18 - L 19)	$ (8,416)	$ (875)	$ -	$ (9,291)
23	Bad Debt Gas Cost Prior Causes	-	-	-	$ -
24	**Total Bad Debt Gas Cost Variance (L 20 + L 21) (Over)/Under Recovery**	**(8,416)**	**(875)**	**-**	**(9,291)**
25	**Total Gas Cost Variance (Over)/Under Recovery (L 9 + L 16 + L 22)**	**$ (72,492)**	**$ (27,652)**	**$ -**	**$ (100,144)**

Cause No. 37366-GCA91

PROPOSED GCA SCHEDULES

VECTREN SOUTH
Determination of Unaccounted for Gas (In Dth)
For three month period ending February 28, 2006

Line No.		(A) December	(B) January	(C) February
1	Volume of Purchased gas received	1,640,623	1,453,466	1,119,319
2	Transported gas received	1,914,565	1,846,982	1,676,908
3	Transportation Retention	30,633	29,552	26,831
4	Total Gas Injected Into/Withdrawn from storage	595,562	64,640	623,223
5	Local Production	4,624	4,978	4,916
6	Gas Usage Not billed - Non Reg meter	(136)	(658)	(474)
7	Total Quantity of Gas Available (L 1 + L 2 + L 4 + L 5 + L6)	4,155,238	3,369,408	3,423,892
8	Total Gas Available less Retention (L 7 - L 3)	4,124,605	3,339,856	3,397,061
9	Volume of Gas Sold	2,007,441	1,804,604	1,658,185
10	Total Transportation Usage	1,816,091	1,732,630	1,599,779
11	Total Gas Delivered to Customers (L 9 + L 10)	3,823,532	3,537,234	3,257,964
12	Unaccounted for Gas (L 7 - L 11)	331,706	(167,826)	165,928
13	Volume of Unaccounted for Gas less retention (L 12 - L 3)	301,073	(197,378)	139,097
14	Percent of Unaccounted For Gas (L 12/L 7)	8.0%	-5.0%	4.8%

Cause No. 37366-GCA91

PROPOSED GCA SCHEDULES

VECTREN SOUTH

Determination of Unaccounted for Gas Recoveries
For three month period ending February 28, 2006

Line No.		December Rate 110	December Rate 120	January Rate 110	January Rate 120	February Rate 110	February Rate 120
1	Order Granted UAFG Costs (Sch. 11, P 3, Lines 1, 2 and 3)	$ 177,285	$ 82,778	$ 217,216	$ 98,459	$ 167,128	$ 73,690
2	SRC Change in Customer Count	45	3	46	5	50	6
3	UAFG/Customer (a)	$ 1.76	$ 8.03	$ 2.15	$ 9.56	$ 1.66	$ 7.15
4	New Customer Adjustment (Line 2 X 3)	$ 79	$ 24	$ 99	$ 48	$ 83	$ 43
5	Adjusted Order Granted UAFG Costs (Line 1 + 4)	$ 177,364	$ 82,802	$ 217,315	$ 98,507	$ 167,211	$ 73,733
6	Total Adjusted Order Granted UAFG Costs (To Sch. 11, Line 15)	$ 260,167		$ 315,822		$ 240,944	

(a) Line 1 divided by number of customers in Cause No. 43112 (Rate 110 - 100,800; Rate 120 - 10,300).

Cause No. 37366-GCA91

Schedule 11
Page 3 of 3

PROPOSED GCA SCHEDULES

VECTREN SOUTH

Allocated Base Rate Unaccounted for Gas Costs per Order Granted in Cause No. 43112

Line No.	Month	Sales from Sch. 2 Rate 110	Sales from Sch. 2 Rate 120	Order Granted UAFG Recoveries Monthly Allocation Rate 110	Order Granted UAFG Recoveries Monthly Allocation Rate 120
1	December	1,418,611	662,379	$ 177,285	$ 82,778
2	January	1,738,134	787,856	$ 217,216	$ 98,459
3	February	1,337,331	589,659	$ 167,128	$ 73,690
4	March	963,475	404,515	$ 120,406	$ 50,553
5	April	448,675	185,315	$ 56,071	$ 23,159
6	May	229,903	109,087	$ 28,731	$ 13,633
7	June	130,077	81,913	$ 16,256	$ 10,237
8	July	107,246	103,744	$ 13,403	$ 12,965
9	August	115,475	95,515	$ 14,431	$ 11,937
10	September	149,080	107,910	$ 18,631	$ 13,486
11	October	354,481	223,509	$ 44,300	$ 27,932
12	November	700,386	436,604	$ 87,528	$ 54,563
13	Total	7,692,874	3,788,006	$ 961,386	$ 473,391

PROPOSED GCA SCHEDULES

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
Determination of Annual Unaccounted for Gas Level

Line No.	Description	Sep 2004	Oct 2004	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005	Apr 2005	May 2005	June 2005	July 2005	August 2005	12 months ending 08/31/05
1	Volume of Unaccounted for Gas - Dth	107,332	(27,418)	(29,780)	405,236	(5,378)	(156,210)	95,713	(129,230)	(35,032)	(7,951)	14,086	(29,052)	202,316
2	Total Volume Available - Dth	1,723,105	1,908,592	2,540,083	4,069,285	4,429,019	3,347,547	3,291,814	2,213,115	1,703,121	1,755,400	1,636,083	1,723,176	30,340,340
3	Percent of Unaccounted for Gas (Line 1/Line2)	6.229%	-1.437%	-1.172%	9.958%	-0.121%	-4.666%	2.908%	-5.839%	-2.057%	-0.453%	0.861%	-1.686%	0.667%
4	Net Cost of Gas	$ 1,850,733	$ 2,434,887	$ 6,437,113	$ 12,611,410	$16,325,465	$ 11,446,028	$ 10,966,246	$ 3,089,999	$ 1,425,227	$ 658,087	$ 643,518	$ 765,805	$ 68,654,518
5	Cost of Unaccounted Gas	$ 316,130	$ (288,636)	$ (367,785)	$ 2,045,530	$ (281,215)	$ (1,241,813)	$ 472,682	$ (874,204)	$ (215,959)	$ (86,720)	$ (24,006)	$(200,659)	$ (746,655)

Instructions:
This schedule is to be filed once a year in the GCA when the data for the twelve months ending August months becomes available.

Cause No. 37366-GCA91

PROPOSED GCA SCHEDULES

VECTREN SOUTH
Allocation of Bad Debt Gas Cost Variances

Line No.	Reconcilation Month		Variance
1	December	$	10,028
2	January	$	6,523
3	February	$	(9,291)
	Total	$	7,260

Distribution of Bad Debt Gas Cost Variance to GCA Quarters

	Quarter		Sales % Sch 2		All GCA Classes
4	Aug - Oct	2006	9.11%	$	661
5	Nov - Jan	2007	50.03%	$	3,633
6	Feb - Apr	2007	34.22%	$	2,484
7	May-Jul	2007	6.64%	$	482

	Bad Debt Gas Cost Variance from Past GCAs for Aug - Oct 2006 Quarter			All GCA Classes
8	Bad Debt Gas Cost from GCA -	88	$	-
9	Bad Debt Gas Cost from GCA -	89	$	-
10	Bad Debt Gas Cost from GCA -	90	$	-
11	Bad Debt Gas Cost from GCA -	91	$	661
12	Total Bad Debt Gas Cost Variance		$	661
12a	Total August 2006 Bad Debt Gas Cost Variance		$	133
12b	Total September 2006 Bad Debt Gas Cost Variance		$	162
12c	Total October 2006 Bad Debt Gas Cost Variance		$	365

Cause No. 37366-GCA91

PROPOSED GCA SCHEDULES

VECTREN SOUTH
Identification of Bad Debt Gas Cost Variance

Line No.	Reconciliation Month	(A) Total Bad Debts Inclusive IURT	(B) [(A) X .9847] Total Bad Debts Exclusive IURT	(C) Non-Gas Cost Component	(D) [(B) - (C)] Gas Cost Component Written Off	(E) Adjusted Order Granted Bad Debt Gas Costs	(F) [(D) - (E)] Variance
1	December	$ 116,787	$ 115,000	$ 34,500	$ 80,500	$ 70,472	$ 10,028
2	January	$ 111,709	$ 110,000	$ 33,000	$ 77,000	$ 70,477	$ 6,523
3	February	$ 132,020	$ 130,000	$ 60,000	$ 70,000	$ 79,291	$ (9,291)

Cause No. 37366-GCA91

PROPOSED GCA SCHEDULES

VECTREN SOUTH
Determination of Bad Debt Gas Cost Recoveries
For three month period ending February 28, 2006

Line No.		December Rate 110	December Rate 120	January Rate 110	January Rate 120	February Rate 110	February Rate 120
1	Order Granted Bad Debt Gas Costs (Sch. 12, P 4, Lines 1, 2 and 3)	$ 47,902	$ 22,542	$ 47,902	$ 22,542	$ 53,890	$ 25,360
2	SRC Change in Customer Count	45	3	46	5	50	6
3	Bad Debt Gas Cost/Customer (a)	$ 0.48	$ 2.19	$ 0.48	$ 2.19	$ 0.53	$ 2.46
4	New Customer Adjustment (Line 2 X 3)	$ 22	$ 7	$ 22	$ 11	$ 27	$ 15
5	Adjusted Order Granted Bad Debt Gas Costs (Line 1 + 4)	$ 47,924	$ 22,549	$ 47,924	$ 22,553	$ 53,916	$ 25,375
6	Total Adjusted Order Granted Bad Debt Gas Costs	$ 70,472		$ 70,477		$ 79,291	

(a) Line 1 divided by number of customers in Cause No. 43112 (Rate 110 - 100,800; Rate 120 - 10,300).

PROPOSED GCA SCHEDULES

VECTREN SOUTH
Allocated Base Rate Bad Debt Gas Costs per Order Granted in Cause No. 43112

Line No.	Month	Monthly Bad Debt Percentage (b)	Allocated Bad Debt Gas Costs (a) Rate 110	Rate 120
1	December	8.0%	$ 47,902	$ 22,542
2	January	8.0%	$ 47,902	$ 22,542
3	February	9.0%	$ 53,890	$ 25,360
4	March	5.0%	$ 29,939	$ 14,089
5	April	6.0%	$ 35,927	$ 16,907
6	May	6.0%	$ 35,927	$ 16,907
7	June	15.0%	$ 89,816	$ 42,266
8	July	15.0%	$ 89,816	$ 42,266
9	August	16.0%	$ 95,804	$ 45,084
10	September	4.0%	$ 23,951	$ 11,271
11	October	4.0%	$ 23,951	$ 11,271
12	November	4.0%	$ 23,951	$ 11,271
13	Total	100.00%	$ 598,775	$ 281,777

(a) Bad Debt gas costs allocated based on revenues in Cause No. 43112.
(b) Illustrative.

UNACCOUNTED FOR GAS COSTS EXAMPLE

GAS COST CONSTANT; UAFG PERCENTAGE DROPS

Line No.	UAFG %	Description	Annual Sales (Dth)	UAFG Volumes (Dth)
1	1.6%	Rate Case	11,500,000	184,000
2	1.3%	Actual UAFG	11,500,000	149,500

Commodity Cost of Gas		
Rate Case	$	5.55
Actual	$	5.55

Volume Variance of UAFG	$ (191,475)		(149,500 -184,000) X $5.55
Price Variance of UAFG	$ -		($5.55 - $5.55) X 149,500
Total Variance	$ (191,475)	Over-Recovery	

UNACCOUNTED FOR GAS COSTS EXAMPLE

GAS COST INCREASES; UAFG PERCENTAGE DROPS

Line No.	UAFG %	Description	Annual Sales (Dth)	UAFG Volumes (Dth)
1	1.6%	Rate Case	11,500,000	184,000
2	1.3%	Actual UAFG	11,500,000	149,500

Commodity Cost of Gas		
Rate Case	$	5.55
Actual	$	7.55

Volume Variance of UAFG	$	(191,475)	(149,500 -184,000) X $5.55
Price Variance of UAFG	$	299,000	($7.55 - $5.55) X 149,500
Total Variance	$	107,525	Under-Recovery

UNACCOUNTED FOR GAS COSTS EXAMPLE

GAS COST DECREASES; UAFG PERCENTAGE CONSTANT

Line No.	UAFG %	Description	Annual Sales (Dth)	UAFG Volumes (Dth)
1	1.3%	Rate Case	11,500,000	149,500
2	1.3%	Actual UAFG	11,500,000	149,500

Commodity Cost of Gas		
Rate Case	$	9.43
Actual	$	7.43

Volume Variance of UAFG	$ -		(149,500 -149,500) X $9.43
Price Variance of UAFG	$ (299,000)		($7.55 - $5.55) X 149,500
Total Variance	$ (299,000)	Over-Recovery	

UNACCOUNTED FOR GAS COSTS EXAMPLE

GAS COST DECREASES; UAFG PERCENTAGE INCREASES

Line No.	UAFG %	Description	Annual Sales (Dth)	UAFG Volumes (Dth)
1	1.3%	Rate Case	11,500,000	149,500
2	1.5%	Actual UAFG	11,500,000	172,500

Commodity Cost of Gas		
Rate Case	$	9.43
Actual	$	7.43

Volume Variance of UAFG	$ 216,890		(172,500 -149,500) X $9.43
Price Variance of UAFG	$ (345,000)		($7.43 - $9.43) X 172,500
Total Variance	$ (128,110)	Over-Recovery	

BAD DEBT GAS COSTS EXAMPLE

GAS COST CONSTANT; BAD DEBT PERCENTAGE DROPS

Line No.	Bad Debt %		Description	Annual Sales (Dth)	Bad Debt Volumes (Dth)
1	1.0%	of Sales	Rate Case	11,500,000	115,000
2	0.9%	of Sales	Actual	11,500,000	103,500

Rate Case Cost of Gas	$	6.29
Actual Cost of Gas	$	6.29

Volume Variance of Bad Debt Gas Costs	$ (72,335)		(103,500 -115,000) X $6.29
Price Variance of Bad Debt Gas Costs	$ -		($6.29 - $6.29) X 103,500
Total Variance	$ (72,335)	Over-Recovery	

BAD DEBT GAS COSTS EXAMPLE

GAS COST INCREASES; BAD DEBT PERCENTAGE DROPS

Line No.	Bad Debt %		Description	Annual Sales (Dth)	Bad Debt Volumes (Dth)
1	1.0%	of Sales	Rate Case	11,500,000	115,000
2	0.9%	of Sales	Actual	11,500,000	103,500

Rate Case Cost of Gas	$	6.29
Actual Cost of Gas	$	8.29

Volume Variance of Bad Debt Gas Costs	$ (72,335)		(103,500 -115,000) X $6.29
Price Variance of Bad Debt Gas Costs	$ 207,000		($8.29 - $6.29) X 103,500
Total Variance	$ 134,665	Under-Recovery	

BAD DEBT GAS COSTS EXAMPLE

GAS COST DECREASES; BAD DEBT PERCENTAGE INCREASES

Line No.	Bad Debt %		Description	Annual Sales (Dth)	Bad Debt Volumes (Dth)
1	1.0%	of Sales	Rate Case	11,500,000	115,000
2	1.1%	of Sales	Actual	11,500,000	126,500

Rate Case Cost of Gas	$	10.20
Actual Cost of Gas	$	8.20

Volume Variance of Bad Debt Gas Costs	$ 117,300		(126,500 -115,000) X $10.20
Price Variance of Bad Debt Gas Costs	$ (253,000)		($8.20 - $10.20) X 126,500
Total Variance	$ (135,700)	Over-Recovery	

ACCELERATED REPLACEMENT PROGRAMS WITH NON-BASE RATE COST RECOVERY

Company	State	Status	Start Date
CenterPoint Energy	Arkansas	Approved	2001
Atlanta Gas Light	Georgia	Approved	1998
Duke Energy	Kentucky	Approved	2002
Northern Utilities	Maine	Approved	2005
Laclede Gas	Missouri	Approved	1990
Missouri Gas Energy	Missouri	Approved	2006
Northern Utilities	New Hampshire	Approved	1992
Elizabethtown Gas	New Jersey	Approved	2006
Duke Energy	Ohio	Approved	2002
Northwest Natural	Oregon	Approved	2004
Nashville Gas	Tennessee	Approved	1991
Roanoke Gas	Virginia	Approved	1999
SEMCO	*Michigan*	*Pending*	-
Chattanooga Gas	*Tennessee*	*Pending*	-

PETITIONER'S EXHIBIT NO. SEA-9

DISTRIBUTION REPLACEMENT ADJUSTMENT ("DRA")

PROFORMA FILING SCHEDULES

(ILLUSTRATIVE)

Southern Indiana Gas and Electric Company D/B/A
Vectren Energy Delivery of Indiana, Inc. (Vectren South)
Tariff for Gas Service
I.U.R.C. No. G-11

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APPENDIX K
DISTRIBUTION REPLACEMENT ADJUSTMENT
("DRA")

APPLICABILITY

The Distribution Replacement Adjustment ("DRA") shall be applicable to all Customers receiving Gas Service under the Rate Schedules as set forth below in the DRA Charges section.

DESCRIPTION

The DRA shall recover Company's annual revenue requirement associated with its accelerated replacement of cast iron and/or bare steel related infrastructure. The DRA shall reflect the impact of cumulative net plant additions as offset by cumulative maintenance expense reductions at the end of the most recent twelve month period.

DRA CHARGES

The Distribution Replacement Adjustment shall be applied to each therm of metered gas usage each month. The current DRAs by Rate Schedule are set forth below:

Rate Schedule	DRA ($per Therm)
110	$0.0058
120/125/145	$0.0033
160	$0.0018

Effective:

VECTREN SOUTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
RATE SCHEDULE ALLOCATION FACTORS

Rate Schedule	Description	Allocation Factors (a) (%)
110	Residential	63.903%
120/125/145	General Sales & Transportation	23.091%
160	Large Volume Transportation	13.006%
Total		100.000%

(a) Distribution mains allocation factors as approved in Cause No. 43112

VECTREN SOUTH
DERIVATION OF DISTRIBUTION REPLACEMENT ADJUSTMENT

Rate Schedule	Charge Adjusted	(A) Allocated DRA Revenue Requirement (a)	(B) Annual Volumes (Therms) (b)	(C) Proposed DRA per Therm (A)/(B)
110	Distribution	$431,033	74,935,944	$0.0058
120/125/145	Distribution	$155,748	47,463,034	$0.0033
160	Distribution	$87,730	50,066,930	$0.0018
Total		$674,510	172,465,908	

(a) Reflects total revenue requirement as derived on ACCOUNTING Schedule 3 multiplied by allocation factors reflected on RATES Schedule 2.
(b) Cost of Service Study, Cause #43112 (Illustrative)

VECTREN SOUTH
DISTRIBUTION REPLACEMENT ADJUSTMENT BILL IMPACTS

Rate Schedule	(A) Present Revenue(1)	(B) Previous DRA Revenue Amount	(C) Current DRA Revenue Amount (Rates Sch. 3)	(D) Incremental DRA Revenue Amount (C) - (B)	(E) Increase (D)/(A)
110	$106,911,125	$0	$431,033	$431,033	0.40%
120/125/145	$51,589,184	$0	$155,748	$155,748	0.30%
160	$3,329,189	$0	$87,730	$87,730	2.64%
Total	$161,829,498	$0	$674,510	$674,510	0.42%

(1) Pro forma revenues at proposed rates.

VECTREN SOUTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
DETERMINATION OF APPROVED RECOVERIES
(FIRST ANNUAL FILING)

	(A)	(B)	(C)
Line	Month	Allocation Factor (1)	Approved Recoveries (2)
1	September-08	5.33%	$35,940
2	October-08	6.56%	$44,264
3	November-08	8.87%	$59,825
4	December-08	12.98%	$87,560
5	Subtotal (To Rates Schedule 5 Line 16)		$227,589
6	January-09	14.76%	$99,588
7	February-09	11.91%	$80,363
8	March-09	10.15%	$68,472
9	April-09	7.52%	$50,740
10	May-09	5.40%	$36,404
11	June-09	5.63%	$37,995
12	July-09	5.25%	$35,405
13	August-09	5.63%	$37,954
14	Subtotal (To Rates Schedule 5 Line 15)		$446,921

(1) Monthly volumes, as a percentage of annual volumes, as of May 1, 2008
(2) Allocation Factor in Column B times Revenue Requirement from ACCOUNTING Schedule 3 Line 17.

VECTREN SOUTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
DETERMINATION OF APPROVED RECOVERIES
(SECOND ANNUAL FILING)

	(A)	(B)	(C)
Line	Month	Allocation Factor (1)	Approved Recoveries (2)
1	September-09	5.83%	$39,313
2	October-09	6.56%	$44,264
3	November-09	9.37%	$63,198
4	December-09	12.98%	$87,560
5	Subtotal (To Rates Schedule 5 Line 16)		$234,334
6	January-10	15.26%	$102,961
7	February-10	11.91%	$80,363
8	March-10	10.15%	$68,472
9	April-10	7.02%	$47,367
10	May-10	5.40%	$36,404
11	June-10	4.63%	$31,250
12	July-10	5.25%	$35,405
13	August-10	5.63%	$37,954
14	Subtotal (To Rates Schedule 5 Line 15)		$440,176

(1) Monthly volumes, as a percentage of annual volumes, as of May 1, 2009
(2) Allocation Factor in Column B times Revenue Requirement from ACCOUNTING Schedule 3 Line 17.

VECTREN SOUTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
REVENUE REQUIREMENT RECONCILIATION
(SECOND ANNUAL FILING)

	(A)	(B)	(C)	(D)
Line	Period	Approved Recoveries	Actual Recoveries	Under/(Over) Recovery
15	----	----	----	----
16	9/1/2008-12/31/2008	$227,589	$227,589	$0
17	Total	$227,589	$227,589	$0
18	Adjustment (to ACCOUNTING Schedule 3 Line 16)			$0

VECTREN SOUTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
DETERMINATION OF APPROVED RECOVERIES
(THIRD AND SUBSEQUENT ANNUAL FILINGS)

	(A)	(B)	(C)
Line	Month	Allocation Factor (1)	Approved Recoveries (2)
1	September-10	6.83%	$46,058
2	October-10	5.56%	$37,518
3	November-10	8.87%	$59,825
4	December-10	12.98%	$87,560
5	Subtotal (To RATES Schedule 5 Line 16)		$230,962
6	January-11	15.26%	$102,961
7	February-11	10.91%	$73,618
8	March-11	10.15%	$68,472
9	April-11	7.52%	$50,740
10	May-11	7.40%	$49,894
11	June-11	4.63%	$31,250
12	July-11	4.25%	$28,659
13	August-11	5.63%	$37,954
14	Subtotal (To RATES Schedule 5 Line 15)		$443,549

(1) Monthly volumes, as a percentage of annual volumes, as of May 1, 2009
(2) Allocation Factor in Column B times Revenue Requirement from ACCOUNTING Schedule 3 Line 17.

VECTREN SOUTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
REVENUE REQUIREMENT RECONCILIATION
(THIRD AND SUBSEQUENT ANNUAL FILINGS)

	(A)	(B)	(C)	(D)
Line	Period	Approved Recoveries	Actual Recoveries	Under/(Over) Recovery
15	1/1/2009-8/31/2009	$446,921	$446,921	$0
16	9/1/2009-12/31/2009	$234,334	$234,334	$0
17	Total	$681,256	$681,256	$0
18	Adjustment (to ACCOUNTING Schedule 3 Line 16)			$0

VECTREN SOUTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
DERIVATION OF AFUDC RATES

DECEMBER 1, 2005 THROUGH DECEMBER 31, 2005 (1)

Line			Amount	Capitalization Ratios (%)		Cost Rate Percentage (%)
1	Average Short-Term Debt & Computation of Allowance Text	S	$155,464,000			
2	Short-Term Interest				s	3.40%
3	Long-Term Debt	D	$374,458,000	48.72%	d	5.81%
4	Preferred Stock	P	$0	0.00%	p	0.00%
5	Common Equity	C	$394,198,000	51.28%	c	12.25%
6	Total Capitalization (3) + (4) + (5)	T	$768,656,000	100.00%		
7	Average CWIP Balance	W	$82,631,000			
8	Gross Rate for Borrowed Funds: s(S/W) + d(D/T)(1- S/W)					3.90%
9	Rate for Other Funds: (1 - S/W) * [p(P/T) + c(C/T)]					0.00%
10	Combined Rate (8) + (9)					3.90%

(1) AFUDC calculations will be shown for each month applicable to the DRA filing.

ACCOUNTING Schedule 2
Page 1 of 1

VECTREN SOUTH
DISTRIBUTION REPLACEMENT ADJUSTMENT
SUMMARY OF DRA PROJECT COSTS

			Costs Incurred Through (DATE)		
		(A)	(B)	(C)	(D)
Line	Capital Project Components	Actual Completed Cost	Prior Period Balance	Activity	Current Period Balance
1	Cast Iron Mains	$1,902,534	$0	$1,902,534	$1,902,534
2	Bare Steel Mains	$1,411,986	$0	$1,411,986	$1,411,986
3	Bare Steel Services	$1,148,760	$0	$1,148,760	$1,148,760
4	Total	$4,463,280	$0	$4,463,280	$4,463,280
5	Less Accumulated Depreciation				$64,958
6	Net Plant				$4,398,322

VECTREN SOUTH
CALCULATION OF DISTRIBUTION REPLACEMENT ADJUSTMENT
ANNUAL REVENUE REQUIREMENT

Line	Revenue Requirement:	
1	Construction Costs (Accounting Sch. 2)	$4,463,280
2	Less: Accumulated Depreciation (Accounting Sch. 2)	($64,958)
3	Net Construction Costs	$4,398,322
4	Rate of Return (Cause No. 43112)	7.96%
5	Required Return (NOI) (Line 3 X Line 4)	$350,106
6	Conversion Factor (Per Current Filing)	58.1%
7	Revenue Requirement (Line 5 / Line 6)	$602,593
8	Incremental Property Taxes	$30,760
9	Depreciation (Current Year and Deferred)	$64,958
10	Maintenance Cost Reduction	($23,800)
11	Revenue Requirement (Line 7+8+9+10)	$674,510
12	Current Year Adjustment (Rates Schedule 5)	$0
13	Total Revenue Requirement	$674,510

DISTRIBUTION REPLACEMENT ADJUSTMENT
Estimated Margin Increases by Rate Schedule

Year	1	2	3	4	5	6	7	8	9	10
Revenue Requirement	$674,510	$1,418,718	$2,085,352	$2,734,674	$3,366,644	$3,981,232	$4,578,405	$5,158,134	$5,720,079	$6,264,225
Rate 110	1.44%	3.03%	4.46%	5.85%	7.20%	8.51%	9.79%	11.03%	12.23%	13.40%
Rate 120 / 125 / 145	1.58%	3.32%	4.88%	6.40%	7.88%	9.32%	10.72%	12.07%	13.39%	14.66%
Rate 160	2.64%	5.54%	8.15%	10.68%	13.15%	15.55%	17.89%	20.15%	22.35%	24.47%

Year	11	12	13	14	15	16	17	18	19	20
Revenue Requirement	$6,790,571	$7,299,119	$7,789,868	$8,264,337	$8,723,858	$9,165,581	$9,589,504	$9,995,628	$10,383,953	$10,754,479
Rate 110	14.52%	15.61%	16.66%	17.67%	18.65%	19.60%	20.51%	21.37%	22.20%	23.00%
Rate 120 / 125 / 145	15.90%	17.09%	18.23%	19.34%	20.42%	21.45%	22.45%	23.40%	24.31%	25.17%
Rate 160	26.53%	28.52%	30.43%	32.29%	34.08%	35.81%	37.46%	39.05%	40.57%	42.02%

DISTRIBUTION REPLACEMENT ADJUSTMENT

Estimated Residential Customer Bill Impacts

Year	1	2	3	4	5	6	7	8	9	10
Revenue Requirement	$674,510	$1,418,718	$2,085,352	$2,734,674	$3,366,644	$3,981,232	$4,578,405	$5,158,134	$5,720,079	$6,264,225
Bill Impact vs. 2006 (*)										
Annual Dollars	$4.26	$8.95	$13.16	$17.26	$21.25	$25.12	$28.89	$32.55	$36.10	$39.53
Percentage	0.41%	0.87%	1.28%	1.68%	2.07%	2.44%	2.81%	3.16%	3.51%	3.84%

Year	11	12	13	14	15	16	17	18	19	20
Revenue Requirement	$6,790,571	$7,299,119	$7,789,868	$8,264,337	$8,723,858	$9,165,581	$9,589,504	$9,995,628	$10,383,953	$10,754,479
Bill Impact vs. 2006 (*)										
Annual Dollars	$42.85	$46.06	$49.16	$52.15	$55.05	$57.84	$60.52	$63.08	$65.53	$67.87
Percentage	4.17%	4.48%	4.78%	5.07%	5.35%	5.62%	5.88%	6.13%	6.37%	6.60%

(*) assumes GCA = $10.20/Dth

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
D/B/A
VECTREN ENERGY DELIVERY OF INDIANA, INC.

(VECTREN SOUTH)

TARIFF FOR GAS SERVICE

I.U.R.C. No. G-11

ISSUED PURSUANT TO ORDER OF THE
INDIANA UTILITY REGULATORY COMMISSION
IN CAUSE NO. 43112,
EFFECTIVE __________.

Communications concerning this tariff may be addressed to:

Mail: Regulatory Affairs Department
Vectren Corporation
One Vectren Square
Evansville, IN 47708
Telephone: 800-227-1376
Email: VectrenCustomerCare@Vectren.com

TARIFF SHEET INDEX

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TARIFF SHEET INDEX

LOCATIONS SERVED
Cities, Towns and Unincorporated Communities

Alford
Algiers
Bicknell
Blairsville
Boonville
Bruceville
Buckskin
Cannelburg
Chandler
Chrisney
Cynthiana
Darmstadt
Daylight
Dayville
Decker
Earle
Edwardsport
Elberfeld
Evansville
Francisco
Freelandville
Ft. Branch
Griffin
Hatfield

Haubstadt
Hazleton
Inglefield
Kasson
Loogootee
Lynnville
Mackey
McCutchanville
Midway
Monroe City
Montgomery
Mt. Vernon
New Harmony
Newburgh
Oakland City
Oaktown
Otwell
Owensville
Paradise
Patoka
Petersburg
Poseyville
Princeton
Richland City

Rockport
Sandborn
Somerville
Spurgeon
St. James
St. Joseph
St. Phillips
St. Wendel
Stendal
Stevenson Station
Stewartsville
Tennyson
Upton
Velpen
Vincennes
Wadesville
Warrenton
Washington
Westphalia
Wheatland
Yankeetown

LOCATIONS SERVED
Locations Served by County

Daviess
Cannelburg
Montgomery
Washington

Gibson
Buckskin
Francisco
Ft. Branch
Haubstadt
Hazleton
Mackey
Oakland City
Owensville
Patoka
Princeton
Somerville
St James
Warrenton

Knox
Bicknell
Bruceville
Decker
Edwardsport
Freelandville
Monroe City
Oaktown
Sandborn
Vincennes
Westphalia
Wheatland

Martin
Loogootee

Pike
Alford
Alers
Otwell
Petersburg
Spurgeon
Stendel
Velpen

Posey
Blairsville
Cynthiana
Griffin
Mt.Vernon
New Harmony
Poseyville
St. Phillips
St. Wendel
Stewartsville
Upton
Wadesville

Spencer
Chrisney
Hatfield
Midway
Richland City
Rockport

Vanderburgh
Darmstadt
Daylight
Earle
Evansville
Inglefield
Kasson
McCutchanville
St. Joseph

Warrick
Boonville
Chandler
Dayville
Elberfeld
Lynnville
Newburgh
Paradise
Stevenson Station
Yankeetown

DEFINITIONS

Except where the context requires otherwise, the following terms shall have the meanings defined below when used in this Tariff for Gas Service:

Abbreviations:

Btu – British Thermal Unit
Ccf – Hundred Cubic Feet
Cf – Cubic Foot
Cfh – Cubic Feet per Hour
Dth – Dekatherm
FERC – Federal Energy Regulatory Commission
GCA – Gas Cost Adjustment
IURC – Indiana Utility Regulatory Commission
Mcf – Thousand Cubic Feet
OUCC – Indiana Office of Utility Consumer Counselor
PSIG – Pounds per square inch gauge

Alternate Fuel – The form of energy used by Customer in place of Gas Service during Curtailment Periods. Gas Service provided by Company under another Rate Schedule shall not qualify as an Alternate Fuel.

Annual Usage – Customer's actual total gas usage for the most recent twelve consecutive billing months or Company's estimate of Customer's total gas usage for twelve consecutive billing months when actual usage information is not available.

Bill – An itemized list or statement of fees and charges for Gas Service, Contract Services, or other services provided by Company. A Bill may be rendered by mail or by electronic means.

British Thermal Unit – The average amount of heat necessary to increase the temperature of one pound of water by 1° Fahrenheit in the temperature range of 32° to 212° Fahrenheit at 14.73 pounds per square inch absolute pressure.

Btu Adjustment Factor – The average Btu content of gas supplied to Customer, as determined periodically by Company, which is applied to Customer's metered volumetric usage to determine therm usage for billing purposes.

Bypass – A direct or indirect interconnection of Customer's Premises with another supplier of gas service resulting in the displacement of or substantial reduction in Gas Service provided by Company.

Cashout – The monetary settlement of over-delivery and under-delivery gas imbalances between Company and Pool Operators, School Suppliers, or Transportation Customers.

Central Clock Time (CCT) – Central Daylight Time when daylight savings time is in effect and Central Standard Time when daylight savings time is not in effect.

Compressed Natural Gas (CNG) – Natural gas that has been compressed to approximately 2,400-3,600 pounds per square inch for subsequent use in Natural Gas Vehicles.

DEFINITIONS

Commercial Customer – Any Customer primarily engaged in wholesale or retail trade and services (including central heating and air conditioning facilities of apartment complexes), any local, state and federal governmental agency, and any Customer not covered by another classification. When Gas Service is supplied through one meter to an apartment house or multiple dwelling, the service shall be classified as Commercial, in which case the applicable Non-Residential service Rate Schedule shall apply.

Commission – The Indiana Utility Regulatory Commission.

Commission's Regulations – The Rules, Regulations and Standards of Service for Gas Public Utilities in Indiana, as promulgated from time to time by the Commission.

Company – Southern Indiana Gas and Electric Company d/b/a Vectren Energy Delivery of Indiana, Inc. (Vectren South).

Company-Supplied Gas – Gas purchased by Company for resale to Customer.

Company's General Terms and Conditions – General Terms and Conditions Applicable to Gas Service, as amended from time to time, and as approved by the Commission as part of this Tariff for Gas Service.

Curtailment – The interruption or limitation of the Gas Service available to Customer pursuant to Company's Curtailment Procedures.

Curtailment Period – The period of time, as specified by Company, during which Gas Service is subject to Curtailment.

Curtailment Procedures – Rule 24 of Company's General Terms and Conditions.

Customer – Any individual, partnership, association, firm, public or private corporation or any other entity receiving Gas Service provided by Company with its consent. A Customer shall include any person receiving Gas Service from Company irrespective of whether that person is the individual in whose name the Gas Service is being received.

Customer-Delivered Gas – Gas delivered by Customer, or on Customer's behalf, to Company's distribution system.

Daily Pipeline Nomination – Nomination made by School Supplier on pipeline's EBB indicating the quantity of gas being delivered to Company's city gate.

Daily Transportation Nomination – Nomination made by School Supplier on Company's EBB indicating the quantity of gas being delivered to Company's city gate.

Directed Delivery Quantity (DDQ) - The daily quantity of gas in Dth that School Supplier must deliver to Company's city gates, as specified by Company, to meet the Expected Demand of School Supplier's Pool, adjusted for prior imbalances associated with volume reconciliations, operating constraints, system knowledge/experience, and Company's Unaccounted for Gas Percentage.

Educational Institution – An institution administering or providing educational programs from kindergarten through post-secondary level.

DEFINITIONS

Electronic Bulletin Board (EBB or Extranet) – Company's electronic communications software that facilitates nominations, confirmation and other administrative functions associated with Transportation Service.

Expected Demand – A School Supplier's Pool's forecasted usage for a particular gas day, as determined by Company.

Gas Cost Adjustment - Gas cost recovery process approved for the Company through various Commission orders, including the Commission's generic orders in Cause No. 37091.

Gas Service – The availability of natural gas or a mixture of natural gas and other compatible gases at Company's point of delivery to Customer, irrespective of whether any such gas is actually consumed.

Group 1 – Company's designation for a Customer served by a meter with a rated capacity of 450 Cfh or less.

Group 2 – Company's designation for a Customer served by a meter with a rated capacity of greater than 450 Cfh and less than 5000 Cfh.

Group 3 – Company's designation for a Customer served by a meter with a rated capacity of 5000 Cfh or greater.

Heating Degree-Day – A standard measure of the coldness of the temperatures experienced, based on the extent to which the daily mean temperature falls below a reference temperature of 65° Fahrenheit.

Industrial Customer – A Customer primarily engaged in a process that creates or changes raw or unfinished materials into another form or product.

Interruptible Service – Gas Sales Service subject to Curtailment and requiring Customer to maintain Alternative Fuel capability.

Maximum Daily Usage – Customer's maximum actual gas usage or Company's estimate of Customer's maximum gas usage for any 24 hour period.

Non-Residential Customer – Any Customer that is not a Residential Customer.

Non-Gas Cost Revenue – Revenue received by Company from Customer, excluding gas costs such as pipeline storage and transportation costs, commodity gas costs, and other gas costs recovered through the Gas Cost Adjustment.

Operational Flow Order (OFO) – An order issued by the Company via its EBB, fax machine, or telephone directing Pool Operator, School Supplier or Transportation Customer to deliver specific quantities of gas via specific pipelines.

DEFINITIONS

Operating System – Any portion of Company's distribution system for which gas deliveries and gas demands must be balanced separately from other portions of the distribution system, due to operational and contractual limitations.

Peak Design Day Demand – the then-effective forecasted peak design day usage of a Customer Pool as calculated and communicated by Company.

Pool – A group of Transportation Customers who have been aggregated by a Pool Operator or School Supplier for gas supply management purposes.

Pool Operator – A marketer, supplier, or Transportation Customer(s) that provides gas supply management for a Pool.

Pool Operator-Delivered Gas – Gas delivered by a Pool Operator, or on behalf of a Pool Operator, to Company's distribution system.

Premises – The main residence or living quarters for a Residential Customer, or the main building of a Commercial or Industrial Customer. The Premises shall include the outlying or adjacent buildings used by the same Customer, provided the use of Gas Service in the outlying or adjacent building(s) is supplemental to the service used in the main residence, main living quarters, or main building of Customer.

Rate Schedule – A Gas Service applicable to a particular classification of Customer with specific Availability, Applicability, Character of Service, Rates and Charges, and Terms and Conditions.

Residential Customer – Customer using Gas Service primarily for a single family dwelling unit, mobile home, apartment unit or condominium.

Sales Customer – A Customer receiving Sales Service from Company.

Sales Service – Gas Service involving the delivery by Company to Customer of Company-Supplied Gas.

School Supplier – A gas supplier that provides gas supply management for a Pool of Customers for which an Educational Institution is responsible for payment of rates and charges to Company.

School Pooling Agreement - An agreement between Company and School Supplier that defines the mutual responsibilities and obligations of those parties relative to services provided under Rate 185-School Pooling Service.

School Supplier–Delivered Gas - Gas delivered by a School Supplier, or on behalf of a School Supplier, to Company's distribution system.

School Transportation Agreement – written agreement between Company and Educational Institution defining Terms and Conditions of the Educational Institution's Gas Service.

Service Area – Areas in which Company has Gas Service available or may offer Gas Service, as certified by the Commission.

Spaceheating Customer – Any Customer receiving Gas Service, any part of which Customer uses as fuel for the heating of some portion or all of Customer's Premises.

DEFINITIONS

Storage Service – Gas Service involving the on-system storage and redelivery by Company to Customer of Customer-Delivered gas.

Summer Season – The months of April through October, inclusive.

Therm – 100,000 Btu.

Throughput – The sum of Sales and Transportation Service quantities.

Transportation Customer – A Customer receiving Transportation Service from Company.

Transportation Service – Gas Service involving the delivery by Company to Customer of Customer-Delivered, School Supplier-Delivered or Pool Operator-Delivered gas.

Winter Season – The months of November through March, inclusive.

RATE 110
RESIDENTIAL SALES SERVICE

AVAILABILITY
This Rate Schedule shall be available throughout the Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determinations shall be within Company's reasonable discretion.

APPLICABILITY
This Rate Schedule shall be applicable only to Residential Customers.

CHARACTER OF SERVICE
This Rate Schedule applies to the provision of Sales Service. Transportation Service is not provided under this Rate Schedule. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES
The monthly Rates and Charges for Gas Service under this Rate Schedule shall be:

Customer Facilities Charge:
$16.00
Distribution Charge:
First 50 therms @ $0.1494 per therm
Over 50 therms @ $0.1115 per therm

Appendices:
The following Appendices shall be applied monthly:
- Appendix A – Gas Cost Adjustment
- Appendix B – Normal Temperature Adjustment
- Appendix G – Universal Service Fund Adjustment
- Appendix H – Pipeline Safety Adjustment
- Appendix I – Energy Efficiency Rider (Pending)
- Appendix K – Distribution Replacement Adjustment

Minimum Monthly Charge:
The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges:
The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

TERMS AND CONDITIONS
Gas Service rendered under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 120
GENERAL SALES SERVICE

AVAILABILITY

This Rate Schedule shall be available throughout the Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determinations shall be within Company's reasonable discretion.

APPLICABILITY

This Rate Schedule shall be applicable to any Non-Residential Customer whose Annual Usage is less than 500,000 therms and whose Maximum Daily Usage is less than 15,000 therms.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Sales Service. Transportation Service is not provided under this Rate Schedule. Gas Service provided under this Rate Schedule shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATE AND CHARGES

The monthly Rates and Charges for Gas Service under this Rate Schedule shall be:

Customer Facilities Charge:
Group 1: $24.00
Group 2: $50.00
Group 3: $100.00

Distribution Charge:
First 500 Therms @ $0.1399 per therm
Over 500 therms @ $0.1043 per therm

Appendices:
The following Appendices shall be applied monthly:

- Appendix A – Gas Cost Adjustment
- Appendix B – Normal Temperature Adjustment
- Appendix G – Universal Service Fund Adjustment
- Appendix H – Pipeline Safety Adjustment
- Appendix I – Energy Efficiency Rider (Pending)
- Appendix K – Distribution Replacement Adjustment

Minimum Monthly Charge:
The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges:
The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

RATE 120
GENERAL SALES SERVICE

CONTRACT

Customers with Annual Usage greater than 250,000 therms shall enter into a written contract which specifies the hourly and daily maximum gas requirements of Customer and any other terms reasonably required by Company. The contract shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

A Customer that returns from Rate 145 General Transportation Service to this Rate Schedule must remain on Sales Service for not less than twelve months before returning to Transportation Service unless expressly authorized by Company.

CURTAILMENT

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided by Rule 24 and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Customer shall curtail gas usage in not more than two hours upon notice from Company directing Curtailment of Gas Service under this Rate Schedule.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

TERMS AND CONDITIONS

Gas Service rendered under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 125
SCHOOL TRANSPORTATION SERVICE

AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities, which determination shall be within Company's reasonable discretion.

APPLICABILITY

This Rate Schedule shall be applicable to any Customer
1) whose Annual Usage is less than 50,000 therms and
2) for which payment of rates and charges to Company is the responsibility of an Educational Institution,

which elects service hereunder.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Transportation Service. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Gas Service hereunder shall be:

Customer Facilities Charge –

Group 1: $24.00
Group 2: $50.00
Group 3: $100.00

Distribution Charge -

First 500 therms @ $0.1275 per therm
Over 500 therms @ $0.0919 per therm

Appendices:

The following Appendices shall be applied monthly:
- Appendix A – Gas Cost Adjustment
- Appendix B – Normal Temperature Adjustment
- Appendix G – Universal Service Fund Adjustment
- Appendix H – Pipeline Safety Adjustment
- Appendix I – Energy Efficiency Rider (Pending)
- Appendix K – Distribution Replacement Adjustment

Related Charges –

Customer shall reimburse Company for all charges incurred on Customer's behalf in connection with transportation of gas for Customer's account, including any pipeline penalty charges or cashout provisions assessed to Company.

RATE 125
SCHOOL TRANSPORTATION SERVICE

Minimum Monthly Charge –
The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges –
The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

Switching Charges –
Customer shall be charged $10.00 per meter per switch for switching School Suppliers more than once per calendar year.

CURTAILMENT
When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided under Rule 24 of the General Terms and Conditions Applicable to Gas Service ("Rule 24") and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Customer must curtail gas usage in not more than two hours upon notice from Company directing Curtailment of Gas Service under this Rate Schedule.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

SCHOOL TRANSPORTATION PROVISIONS
The following School Transportation Provisions are applicable to Customers served under this Rate Schedule.

(1) A School Transportation Service Customer must become a member of a Pool pursuant to the provisions of Rate 185, School Pooling Service. School Supplier will be responsible for managing the Pool's gas supply. Customer shall enter into a School Transportation Agreement with Company that designates its selected School Supplier from a list of approved School Suppliers that have signed School Pooling Agreements with Company. Such elections will carry over from month to month unless Customer and School Supplier notify Company of any change at least ten (10) business days prior to the start of a new month.

(2) Customer's prior delinquencies must be cured prior to commencing participation in School Transportation Service, unless otherwise agreed to in advance by Company. School Transportation Service will be effective as of Customer's next read date.

(3) In the event of default of the School Supplier, Customer shall be returned to Sales Service or may designate another School Supplier. Customer shall be liable for its portion of applicable charges owed by defaulting School Suppliers, as determined by Company after review of all available facts and circumstances including documented deliveries and consumption.

RATE 125
SCHOOL TRANSPORTATION SERVICE

(4) A Customer that has voluntarily returned from School Transportation Service to Sales Service must remain on Sales Service for not less than one year before returning to School Transportation Service, unless expressly authorized by Company.

(5) An Educational Institution must be a registered user of vectren.com to obtain historical usage information, and in order to obtain a single summary bill and remit a single monthly payment.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 129
NATURAL GAS VEHICLE SERVICE

AVAILABILITY

This Rate Schedule shall be available throughout the Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determination shall be within Company's reasonable discretion.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of (1) Gas Sales Service to a Customer-owned and operated CNG facility for the express purpose of converting such natural gas to CNG to fuel natural gas vehicles, or (2) the sale of CNG to any Customer from Company-Owned and operated CNG facilities to fuel natural gas vehicles.

Transportation Service is not provided under this Rate Schedule. Gas Service provided under this Rate Schedule to the Customer-owned and operated CNG facility shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

For Sales Service provided to a Customer-owned and operated CNG facility, the monthly Rates and Charges shall be:

Customer Facilities Charge:
$18.93

Maximum Distribution Charge:
$0.1440 per therm

For CNG Service provided from a designated Company-owned and operated CNG facility, the monthly Rates and Charges shall be:

Maximum Distribution Charge:
$0.4395 per therm

Appendices:
The following Appendices shall be applied monthly:

- Appendix A – Gas Cost Adjustment
- Appendix G – Universal Service Fund Adjustment
- Appendix H – Pipeline Safety Adjustment
- Appendix K – Distribution Replacement Adjustment

Minimum Monthly Charge:
The Minimum Monthly Charge shall be the Customer Facilities Charge, if applicable.

Other Charges:
The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

Competitive Flexibility:
The Company may, on an individual Customer basis, assess a Distribution Charge lower than the Maximum Distribution Charge in order to meet competition from alternate fuels. The decision to assess a lower charge will be made by the Company based on its analysis of competitive conditions.

RATE 129
NATURAL GAS VEHICLE SERVICE

CONTRACT

Customers with Annual Usage greater than 250,000 therms shall enter into a written agreement with a minimum term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

TERMS AND CONDITIONS

(1) Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and Commission's Regulations.

(2) In no event shall the Company be obligated to incur any costs for additional facilities necessary to provide service to Customer-owned and operated CNG facilities. Nonetheless, in the event the Company elects to incur such costs, the costs of any additional facilities, including but not limited to any necessary telemetering equipment, that in the Company's sole judgment are required or must be incurred by the Company to provide this service, shall be the sole responsibility of the Customer, and shall be payable in full prior to the initiation of Gas Service. In addition, such costs shall include all applicable taxes.

RATE 145
GENERAL TRANSPORTATION SERVICE

AVAILABILITY

This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities, which determination shall be within Company's reasonable discretion.

APPLICABILITY

This Rate Schedule shall be applicable to any Non-Residential Customer that:

1. has an Annual Usage of greater than or equal to 50,000 therms and less than 500,000 therms,
2. has a Maximum Daily Usage of less than 15,000 therms,
3. complies with the Measurement Requirement section of this Rate Schedule, and
4. enters into a written contract with Company to receive Gas Service under this Rate Schedule.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Transportation Service. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES

The monthly Rates and Charges for Gas Service hereunder shall be:

Customer Facilities Charge:

Group 1: $24.00
Group 2: $50.00
Group 3: $100.00

Distribution Charge:

Applicable to all therms delivered to Customer during the billing month.
First 500 therms @ $0.1275 per therm
Over 500 therms @ $0.0919 per therm

Appendices:

The following Appendices shall be applied monthly:

- Appendix A – Gas Cost Adjustment
- Appendix G – Universal Service Fund Adjustment
- Appendix H – Pipeline Safety Adjustment
- Appendix K – Distribution Replacement Adjustment

Riders:

The following Riders shall be available to qualified Customers:

- Rider ED – Economic Development Rider
- Rider AD – Area Development Rider

Related Charges: Customer shall reimburse Company for all charges incurred on Customer's behalf in connection with transportation of gas for Customer's account, including any pipeline penalty charges or cashout provisions assessed to Company.

Minimum Monthly Charge:

The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges –

The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

RATE 145
GENERAL TRANSPORTATION SERVICE

CONTRACT

Customer shall enter into a written contract which specifies the hourly and daily maximum gas requirements of Customer and any other terms reasonably required by Company. The contract shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

A Customer that returns to Rate 120 General Sales Service from this Rate Schedule must remain on Sales Service for not less than twelve months before returning to Transportation Service unless expressly authorized by Company.

CURTAILMENT

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands of Customers or to protect and replenish Company's underground storage reserves, which determinations shall be within Company's reasonable discretion, Customer shall, as provided by Rule 24 and upon notice from Company, curtail use of gas to such extent and during such periods as Company shall specify.

Customer shall curtail gas usage in not more than two hours upon notice from Company directing Curtailment of Gas Service under this Rate Schedule.

Gas usage by Customer during a Curtailment period in excess of the quantity allowed shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

GAS TRANSPORTATION PROVISIONS

The following Gas Transportation Provisions are applicable to Customers entering into Transportation Service contracts:

(1) Transportation Customers shall be subject to the Nomination and Balancing Provisions in Appendix E, except as provided in paragraph (2) of this section.

(2) Transportation Customers may become members of a Pool pursuant to the provisions of Rate 180, Pooling Service. If Customer designates a Pool Operator to be responsible for managing its gas supply, the nomination and balancing provisions pursuant to Appendix E shall not apply to Customer; rather, they shall apply to the Pool Operator. For purposes of calculating daily and monthly imbalances, the daily and monthly usages of all Customers within the Operator's Pool will be combined into a single Pool usage total, which will be matched against the Pool Operator's daily or monthly deliveries to its Pool. All nomination and balancing charges, including Cashout charges, penalties and like charges shall be billed to the Pool Operator. Customer shall remain individually responsible for interrupting or curtailing deliveries or usage or matching deliveries with usage, when ordered to do so by Company pursuant to this Tariff for Gas Service. In the event of default of the Pool Operator, Customer shall remain liable for its portion of applicable charges, as determined by the Company after review of all available facts and circumstances including documented deliveries and consumption. A Transportation Customer that has returned to Non-Pooling Transportation Service from Pooling Service may not return to Pooling Service for a period of two months unless expressly authorized by Company.

RATE 145
GENERAL TRANSPORTATION SERVICE

(3) Transportation Customer, at its expense, shall provide and maintain on the Premises at the meter location electric and telephone service as required by Company for the operation of Company-Owned electronic gas measurement devices and related communications equipment. If Customer's telephone line is frequently not available when Company seeks to obtain measurement data, Company may require Customer to provide a dedicated telephone line in order to continue Transportation Service under this Rate Schedule.

(4) To compensate for unaccounted for gas, the quantity of gas available to Transportation Customer on a daily basis shall be equal to the quantity of gas delivered to the Company's distribution system at the point of receipt for the account of the Customer, reduced by a Unaccounted For Gas Percentage as set forth in Appendix F.

(5) Transportation Customers must have all required regulatory approvals related to transportation of Customer-Delivered Gas.

(6) Company may provide Interim Supply Service in the event Customer is temporarily unable to obtain supply from supplier or Pool Operator. Company will provide such service on an interruptible month-to-month basis for a term as determined by Company. Customer shall be responsible for meeting all creditworthiness requirements as determined by Company, including, without limitation, pre-payment to Company for gas supply. Customer must execute a written agreement with Company to effectuate this service and service will not begin prior to the execution date of such agreement.

TERMS AND CONDITIONS

Gas Service under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 160
LARGE VOLUME TRANSPORTATION SERVICE

AVAILABILITY
This Rate Schedule shall be available throughout the Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determinations shall be in the Company's reasonable discretion.

APPLICABILITY
This Rate Schedule shall be applicable to any Non-Residential Customer whose Annual Usage is equal to or greater than 500,000 therms and less than 10,000,000 therms or whose Maximum Daily Usage is equal to or greater than 15,000 therms.

CHARACTER OF SERVICE
This Rate Schedule applies to the provision of Transportation Service. Interim Supply Service, as described below, may also be provided under this Rate Schedule, at Company's sole discretion. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES
The monthly Rates and Charges for Gas Service under this Rate Schedule shall be:

Customer Facilities Charge:
$400.00

Distribution Charge:
First 50,000 therms @ $0.0697 per therm
Next 200,000 therms @ $0.0598 per therm
Over 250,000 therms @ $0.0505 per therm

Appendices:
The following Appendices shall be applied monthly:
- Appendix A – Gas Cost Adjustment
- Appendix G – Universal Service Fund Adjustment
- Appendix H – Pipeline Safety Adjustment
- Appendix K – Distribution Replacement Adjustment

Riders:
The following Riders shall be available to qualified Customers:
- Rider ED – Economic Development Rider
- Rider AD – Area Development Rider

Minimum Monthly Charge:
The Minimum Monthly Charge shall be the Customer Facilities Charge.

Other Charges:
The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

Related Charges: Customer shall reimburse Company for all charges incurred in connection with interstate pipeline transportation of Customer-Delivered Gas including any gas costs, penalty charges, or Cashouts.

RATE 160
LARGE VOLUME TRANSPORTATION SERVICE

CONTRACT

Customer shall enter into a written contract that specifies, the hourly and daily maximum gas requirements of Customer, and any other terms reasonably required by Company. The Contract shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

GAS TRANSPORTATION PROVISIONS

The following Gas Transportation Provisions are applicable to Customers entering into Transportation Service contracts:

(1) Transportation Customers shall be subject to the Nomination and Balancing Provisions in Appendix E, except as provided in paragraph (2) of this section.

(2) Transportation Customers may become members of a Pool pursuant to the provisions of Rate 180, Pooling Service. If Customer designates a Pool Operator to be responsible for managing its gas supply, the nomination and balancing provisions pursuant to Appendix E shall not apply to Customer; rather, they shall apply to the Pool Operator. For purposes of calculating daily and monthly imbalances, the daily and monthly usages of all Customers within the Operator's Pool will be combined into a single Pool usage total, which will be matched against the Pool Operator's daily or monthly deliveries to its Pool. All nomination and balancing charges, including Cashout charges, penalties and like charges shall be billed to the Pool Operator. Customer shall remain individually responsible for interrupting or curtailing deliveries or usage or matching deliveries with usage, when ordered to do so by Company pursuant to this Tariff for Gas Service. In the event of default of the Pool Operator, Customer shall remain liable for its portion of applicable charges, as determined by the Company after review of all available facts and circumstances including documented deliveries and consumption. A Transportation Customer that has returned to Non-Pooling Transportation Service from Pooling Service may not return to Pooling Service for a period of two months unless expressly authorized by Company.

(3) Transportation Customer, at its expense, shall provide and maintain on the Premises at the meter location electric and telephone service as required by Company for the operation of Company-Owned electronic gas measurement devices and related communications equipment. If Customer's telephone line is frequently not available when Company seeks to obtain measurement data, Company may require Customer to provide a dedicated telephone line in order to continue Transportation Service under this Rate Schedule.

(4) To compensate for unaccounted for gas, the quantity of gas available to Transportation Customer on a daily basis shall be equal to the quantity of gas delivered to the Company's distribution system at the point of receipt for the account of the Customer, reduced by a Unaccounted For Gas Percentage as set forth in Appendix F.

(5) Transportation Customers must have all required regulatory approvals related to transportation of Customer-Delivered Gas.

RATE 160
LARGE VOLUME TRANSPORTATION SERVICE

(6) Company may provide Interim Supply Service in the event Customer is temporarily unable to obtain supply from supplier or Pool Operator. Company will provide such service on an interruptible month-to-month basis for a term as determined by Company. Customer shall be responsible for meeting all creditworthiness requirements as determined by Company, including, without limitation, pre-payment to Company for gas supply. Customer must execute a written agreement with Company to effectuate this service and service will not begin prior to the execution date of such agreement.

TERMS AND CONDITIONS
Gas Service rendered under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 170
CONTRACT TRANSPORTATION SERVICE

AVAILABILITY
This Rate Schedule shall be available throughout Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determinations shall be in the Company's reasonable discretion.

APPLICABILITY
This Rate Schedule shall be applicable to any Non-Residential Customer whose Annual Usage equals or exceeds 10,000,000 therms.

CHARACTER OF SERVICE
This Rate Schedule applies to the provision of Transportation Service. Gas Service provided hereunder shall be metered and billed separately from Gas Service provided under any other Rate Schedule.

RATES AND CHARGES
The monthly Rates and Charges for Gas Service under this Rate Schedule shall be:

Customer Facilities Charge:
$700.00

Distribution Charge:
First 1,750,000 therms @ $0.0192 per therm
Next 1,750,000 therms @ $0.0102 per therm
Over 3,500,000 therms @ $0.0041 per therm

Appendices:
The following Appendices shall be applied monthly:
- Appendix A – Gas Cost Adjustment
- Appendix G – Universal Service Fund Adjustment
- Appendix H – Pipeline Safety Adjustment
- Appendix K – Distribution Replacement Adjustment

Minimum Monthly Charge:
The Minimum Monthly Charge shall be the Customer Facilities Charge.

Related Charges:
Customer shall reimburse Company for all charges incurred in connection with interstate pipeline transportation of Customer-Delivered Gas including any gas costs, penalty charges, or Cashouts.

Other Charges:
The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

CONTRACT
Customer shall enter into a written contract, which specifies the hourly and daily maximum gas requirements of Customer, and any other terms reasonably required by Company. The contract shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

RATE 170
CONTRACT TRANSPORTATION SERVICE

GAS TRANSPORTATION PROVISIONS

The following Gas Transportation Provisions are applicable to Customers entering into Transportation Service Contracts:

(1) Transportation Customers shall be subject to the Nomination and Balancing Provisions in Appendix E, except as provided in paragraph (2) of this section.

(2) Transportation Customers may become members of a Pool pursuant to the provisions of Rate 180, Pooling Service. If Customer designates a Pool Operator to be responsible for managing its gas supply, the nomination and balancing provisions pursuant to Appendix E shall not apply to Customer; rather, they shall apply to the Pool Operator. For purposes of calculating daily and monthly imbalances, the daily and monthly usages of all Customers within the Operator's Pool will be combined into a single Pool usage total, which will be matched against the Pool Operator's daily or monthly deliveries to its Pool. All nomination and balancing charges, including Cashout charges, penalties and like charges shall be billed to the Pool Operator. Customers shall remain individually responsible for interrupting or curtailing deliveries or usage or matching deliveries with usage when ordered to do so by the Company pursuant to this tariff for Gas Service. In the event of default of the Pool Operator, Customer shall remain liable for its portion of applicable charges, as determined by the Company after review of all available facts including documented deliveries and consumption. A Transportation Customer that has returned to individual Transportation Service from Pooling Service may not return to Pooling Service for a period of two months unless expressly authorized by Company.

(3) Transportation Customer, at its expense, shall provide and maintain on the Premises at the meter location electric and telephone service as required by Company for the operation of Company-Owned electronic gas measurement devices and related communications equipment. If Customer's telephone line is frequently not available when Company seeks to obtain measurement data, Company may require Customer to provide a dedicated telephone line in order to continue Transportation Service under this Rate Schedule.

(4) To compensate for unaccounted for gas, the quantity of gas available to Transportation Customer on a daily basis shall be equal to the quantity of gas delivered into the Company's distribution system at the point of receipt for the account of the Customer, reduced by a Unaccounted For Gas Percentage as set forth in Appendix F.

(5) Transportation Customers must have all required regulatory approvals related to transportation of Customer-Delivered Gas.

TERMS AND RENDERED CONDITIONS

Gas Service rendered under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 180
POOLING SERVICE

APPLICABILITY

Pooling Service is an optional service applicable to any Pool Operator and any Transportation Customer under Rates 145, 160, or 170 that designates a Pool Operator to manage its gas supplies as part of an aggregated Customer Pool.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of Pooling Service for Transportation Customers. Pool Operator and electing Transportation Customer are subject to provisions of this Rate Schedule.

Pool Operator shall deliver to the Company gas supplies needed to satisfy the daily and monthly usage requirement of Pool Operator's Pool Customers in accordance with the requirements set forth in this Rate Schedule, Appendix E, and in the Pooling Agreement. Pooling will not be permitted across multiple operational systems unless approved in advance by the Company.

Pool Operator shall provide nominations for its aggregated Pool Customers' deliveries. For purposes of calculating daily and monthly imbalances, the usages of all Customers within a Pool will be combined into a single Pool usage total, which will be matched against the Pool Operator's total pipeline deliveries for such Pool.

Pool Operator shall be responsible for complying with Operational Flow Orders, daily and monthly balancing, and the payment of any daily and monthly imbalance Cashouts, and applicable charges. Transportation Customer shall remain responsible for all charges under its applicable Rate Schedule 145, 160, or 170.

Imbalance trading provided for in Appendix E allows Pool Operator to trade imbalances to minimize otherwise applicable imbalance charges.

SUMMARY OF CHARGES

Pool Operator's Bill shall be rendered monthly, and shall consist of the following charges, as applicable:

Financial Evaluation Fee:
$50 for the initial and each subsequent Pool Operator financial evaluation performed by Company.

Administrative Fee: Pool Operator shall be assessed a monthly Administrative Fee of $100 for each Pool.

Nomination and Balancing Charges: All nomination and balancing charges and imbalance trading charges associated with Pool Operator's Pool, including those listed in Appendix E, Nomination and Balancing Provisions, shall be billed to Pool Operator each month.

RATE 180
POOLING SERVICE

Related Charges: Pool Operator shall reimburse Company for all charges incurred in connection with interstate pipeline transportation of Pool Operator-Delivered Gas including any gas costs, penalty charges, or Cashouts.

Late Payment Charge: Payment by Pool Operator shall be due seventeen (17) days from the date of issuance of the Bill. Company or an authorized agent must receive payment of the total amount due by the due date shown on the Pool Operator's Bill. If Pool Operator does not pay the total amount due by the date shown, an additional amount equal to one percent (1%) of the total unpaid balance shall also become due and payable. For each subsequent month, or portion thereof, of non-payment, an additional charge of one percent of the total unpaid balance shall be assessed.

Insufficient Funds Check Charge: For each check of Pool Operator returned by any bank due to insufficient funds, Pool Operator shall be charged $25.00 to cover a part of the cost of processing such check.

PROVISIONS AND REQUIREMENTS FOR TRANSPORTATION CUSTOMER PARTICIPATION

Transportation Customer shall comply with the following provisions and requirements:

Contract: Customer shall enter into a contract with Company that designates its selected Pool Operator from a list of approved Pool Operators that have signed Pooling Agreements with the Company and who comply with the provisions of this Rate Schedule. Such elections will carry over from month to month unless Customer and Pool Operator notify the Company of any change at least ten (10) business days prior to the start of a new month.

Initiation of Pooling Service: An existing Rate 145, 160, or 170 Transportation Customer that desires to begin utilizing Pooling Service under this Rate Schedule shall do so effective with the Customer's next meter reading date.

Customer's prior delinquencies must be cured prior to commencing participation in Pooling Service, unless otherwise agreed to in advance by Company.

Customer shall eliminate any existing over-delivery or under-delivery quantities via a Cashout with the Company prior to commencing participation in Pooling Service, as follows:

(1) If Customer has an ending under-delivery quantity, Customer shall pay Company for each Dekatherm of under-delivery quantity at a price equal to the average of the previous six-months' Monthly Average Index Charges (as defined in Appendix E) plus applicable taxes.

(2) If Customer has an ending over-delivery quantity, Company shall pay Customer for each Dekatherm of Over-delivery quantity at a price equal to the average of the previous six-months' Monthly Average Index Charges (as defined in Appendix E).

RATE 180
POOLING SERVICE

PROVISIONS AND REQUIREMENTS FOR POOL OPERATOR PARTICIPATION

Pool Operator shall comply with the following provisions:

Contract:

Pool Operator must enter into a written Pooling Agreement with Company. Such Pooling Agreement shall set forth specific covenants and obligations undertaken by the Company and Pool Operator under this Rate Schedule on behalf of the Pool's Customers. The Pooling Agreement shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the Contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon, or Pool Operator fails to perform its responsibilities hereunder and Company elects to terminate Pool Operator's Participation hereunder.

Creditworthiness Standards and Requirements:

In order to qualify for participation under the Pooling Service, Pool Operator must pass an initial Financial evaluation performed by Company, and any such subsequent evaluation(s) deemed appropriate by the Company, to ensure that Pool Operator possesses sufficient resources to perform its responsibilities and to ensure financial performance under this Rate Schedule. In addition, if the Pool Operator's participation in the Pooling Service was previously terminated due to Pool Operator's non-compliance, Pool Operator shall provide information acceptable to the Company that such cause for non-compliance has been corrected and will be avoided in the future. All prior delinquencies must be cured prior to commencing participation in the Pooling Service. Moreover, any and all charges from previous non-compliance shall be corrected prior to participation in the Pooling Service.

Pool Operator must complete and sign the Company's Pool Operator Registration Form and Credit Application to be considered for participation in the Pooling Service. A Pool Operator desiring to participate in the Pooling Service will be evaluated by the Company to establish credit levels acceptable to the Company. The Company will apply, on a non-discriminatory basis, reasonable financial standards to assess and examine a Pool Operator's creditworthiness. These standards will take into consideration the scope of the operations of each Pool Operator and the level of risk to the Company. In order to pass the Company's financial evaluation, a Pool Operator may be required to provide security, the form and amount of which shall be specified by the Company.

Financial evaluations will be based on standard credit factors such as financial and credit ratings, trade references, bank information, unused line of credit, Pool Customers' payment histories, and related financial information that has been independently audited, if available. The Company shall determine creditworthiness based on the above criteria, and will not deny a Pool Operator's participation in the Pooling Service without reasonable cause.

RATE 180
POOLING SERVICE

The Company reserves the right to conduct a financial re-evaluation of Pool Operator from time to time. Such re-evaluation may be initiated either by a request from the Pool Operator, or by the Company if the Company reasonably believes that the creditworthiness of a Pool Operator may have changed or that the operating environment or other conditions may have changed that may have increased the risks posed by operations of the Pool. Based on such re-evaluation, a Pool Operator's level of participation may be increased or decreased, additional security may be required, or the Pool Operator may be removed from further participation in the Pooling Service.

Unaccounted For Gas Percentage:
To compensate for unaccounted for gas, the quantity of gas available to the Pool Customers on a daily basis shall be equal to the quantity of gas delivered into the Company's distribution system at the point of receipt by the Pool Operator for the Pool Customers, reduced by a Unaccounted For Gas Percentage as set forth in Appendix F.

Nomination and Balancing Procedures:
Pool Operator shall be subject to the Nomination and Balancing Provisions in Appendix E.

Curtailment Provisions:
Pool Operator shall be subject to the Curtailment Procedures in Company's Terms and Conditions.

Required Regulatory Approvals:
Pool Operator must comply with all state and federal regulations related to its transportation of Pool Operator-Delivered Gas.

Termination of Pooling Service Participation:
A Pool Operator that ceases participation in Pooling Service shall eliminate any existing over-delivery or under-delivery quantities via a Cashout with the Company, as follows:

(1) If Pool Operator has an ending net under-delivery quantity, Pool Operator shall pay Company for each Dekatherm of under-delivery quantity at a price equal to the average of the previous six months' Monthly Average Index Charges (as defined in Appendix E) plus applicable taxes.

(2) If Pool Operator has an ending over-delivery quantity, Company shall pay Pool Operator for each Dekatherm of over-delivery quantity at a price equal to the average of the previous six months' Monthly Average Index Charges (as defined in Appendix E).

WAIVER OF CHARGES
In its reasonable discretion, on a case-by-case basis, Company may waive all or part of any Charge assessable to Pool Operator or Transportation Customer pursuant to this Rate Schedule, provided, however, that the waiver of such charge shall be exercised on a non-discriminatory basis.

TERMS AND CONDITIONS
Gas Service rendered under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 185
SCHOOL POOLING SERVICE

APPLICABILITY

School Pooling Service is an optional service applicable to any School Supplier that has applied for and been approved under the Creditworthiness Standards and Requirements herein.

CHARACTER OF SERVICE

This Rate Schedule applies to the provision of School Pooling Service for Rate 125, School Transportation Service Customers.

School Supplier shall deliver to the Company gas supplies needed to satisfy the daily and monthly usage requirement of School Supplier's Pool Customers in accordance with the requirements set forth in this Rate Schedule, Appendix J, and the School Pooling Agreement. Pooling will not be permitted across multiple operational systems or transportation programs unless approved in advance by Company.

School Supplier shall provide nominations for its aggregated School Pool Customers' deliveries. For purposes of calculating daily imbalances, the School Pool's DDQ will be matched against the School Supplier's total pipeline deliveries for such Pool.

School Supplier shall be responsible for complying with Operational Flow Orders, daily balancing, and the payment of any daily imbalance Cashouts, and applicable charges.

Imbalance trading provided for in Appendix J allows School Supplier to trade imbalances to minimize otherwise applicable imbalance charges.

SUMMARY OF CHARGES

School Supplier's Bill shall be rendered monthly, and shall consist of the following charges, as applicable:

Financial Evaluation Fee:
$50 for the initial and each subsequent School Supplier financial evaluation performed by Company.

Administrative Fee: School Supplier shall be assessed a monthly Administrative Fee of $100 for each Pool.

Nomination and Balancing Charges: All nomination and balancing charges and imbalance trading charges associated with School Supplier's School Pool, including those listed in Appendix J, School Nomination and Balancing Provisions, shall be billed to School Supplier each month.

Nomination Error Charge:
School Supplier shall pay a Nomination Error Charge of $0.50 per Dekatherm on the quantity difference between School Supplier's Daily Transportation Nomination and the confirmed deliveries under School Supplier's Daily Pipeline Nomination for each day such difference occurs.

DDQ Non-Compliance Charge:
$1 per Dth on days in which no Operational Flow Order (OFO) is in effect (provided no alternate arrangements are made with Company) against the daily difference between the Pool's DDQ and aggregate deliveries.

RATE 185
SCHOOL POOLING SERVICE

City Gate Allocation Non-Compliance Charge:
$1 per Dth on the quantity difference if School Supplier's Daily Pipeline Nomination is less than the minimum or greater than the maximum city gate allocation requirements.

OFO Non-Compliance Charge:
$10 per Dth applied to the difference between School Supplier's DDQ and actual deliveries if School Supplier over-delivers on days in which a Warm Weather OFO is in effect or under-delivers on days in which a Cold Weather OFO is in effect.

Related Charges: School Supplier shall reimburse Company for all charges incurred by Company in connection with interstate pipeline transportation of School Supplier-Delivered Gas including any gas costs, penalty charges, or Cashouts.

Late Payment Charge: Payment by School Supplier shall be due seventeen (17) days from the date of issuance of the Bill. Company or an authorized agent must receive payment of the total amount due by the due date shown on the School Supplier's Bill. If School Supplier does not pay the total amount due by the date shown, an additional amount equal to one percent (1%) of the total unpaid balance shall also become due and payable. For each subsequent month, or portion thereof, of non-payment, an additional charge of one percent of the total unpaid balance shall be assessed.

Insufficient Funds Check Charge: For each check of School Supplier returned by any bank due to insufficient funds, School Supplier shall be charged as set forth in Appendix C, Other Charges to cover a portion of the cost of processing such check.

PROVISIONS AND REQUIREMENTS FOR SCHOOL SUPPLIER PARTICIPATION

School Supplier shall comply with the following provisions:

Contract:
School Supplier must enter into a written School Pooling Agreement with Company. Such School Pooling Agreement shall set forth specific covenants and obligations undertaken by Company and School Supplier under this Rate Schedule on behalf of the School Supplier's Pool Customers. The School Pooling Agreement shall have an initial term of not less than one year and shall automatically extend for succeeding annual terms thereafter subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the School Pooling Agreement expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon, or School Supplier fails to perform its responsibilities hereunder and Company elects to terminate School Supplier's participation hereunder.

School Supplier must provide written notice to Company of Customers joining its pool, or Customers leaving their pool, 10 business days prior to the first of the month. The effective date for Customers joining or leaving pools will be Customer's read date the following month.

RATE 185
SCHOOL POOLING SERVICE

Creditworthiness Standards and Requirements:
In order to qualify for participation under the School Pooling Service, School Supplier must pass an initial financial evaluation performed by Company, and any such subsequent evaluation(s) deemed appropriate by Company, to ensure that School Supplier possesses sufficient resources to perform its responsibilities and to ensure financial performance under this Rate Schedule. In addition, if School Supplier's participation in School Pooling Service was previously terminated due to School Supplier's non-compliance, School Supplier shall provide information acceptable to Company that such cause for non-compliance has been corrected and will be avoided in the future. All prior delinquencies must be cured prior to commencing participation in the School Pooling Service. Moreover, any and all charges from previous non-compliance shall be corrected prior to participation in the School Pooling Service.

School Supplier must complete and sign the Company's School Supplier Registration Form and Credit Application to be considered for participation in the School Pooling Service. A School Supplier desiring to participate in the School Pooling Service will be evaluated by the Company to establish credit levels acceptable to the Company. The Company will apply, on a non-discriminatory basis, reasonable financial standards to assess and examine a School Supplier's creditworthiness. These standards will take into consideration the scope of the operations of each School Supplier and the level of risk to Company. In order to pass Company's financial evaluation, School Supplier may be required to provide security, the form and amount of which shall be specified by Company.

Financial evaluations will be based on standard credit factors such as financial and credit ratings, trade references, bank information, unused line of credit, Pool Customers' payment histories, and related financial information that has been independently audited, if available. Company shall determine creditworthiness based on the above criteria, and will not deny School Supplier's participation in the School Pooling Service without reasonable cause.

Company reserves the right to conduct a financial re-evaluation of School Supplier from time to time. Such re-evaluation may be initiated either by a request from School Supplier, or by Company if Company reasonably believes that the creditworthiness of School Supplier may have changed or that the operating environment or other conditions may have changed that may have increased the risks posed by operations of the Pool. Based on such re-evaluation, School Supplier's level of participation may be increased or decreased, additional security may be required, or School Supplier may be removed from further participation in School Pooling Service.

School Supplier Code of Conduct
Each School Supplier participating in School Pooling Service shall:

1. Communicate to Customers, in clear, understandable terms, Customers' rights and responsibilities. This communication shall include: 1) School Supplier's customer service address, local or toll-free telephone number and hours of operation; and 2) a statement describing the procedures for handling complaints and disputes.

2. Provide in writing, pricing and payment terms that are clear and understandable and inform Customers whether the price that Customer will pay is inclusive or exclusive of applicable taxes.

RATE 185
SCHOOL POOLING SERVICE

3. Refrain from engaging in communications, acts or practices that are fraudulent, deceptive, misleading, unfair, or unconscionable.

4. Deliver gas to Company on a firm basis on behalf of the School Supplier's Pool Customers in accordance with the requirements of Rate 185 and the School Pooling Agreement.

5. Establish and maintain a creditworthy financial position to enable School Supplier to indemnify Company for costs incurred as a result of any failure by School Supplier to deliver gas or pay invoices in accordance with the requirements of this Rate Schedule.

6. Make good faith efforts to resolve all disputes between School Supplier and its Pool Customers and to cooperate with resolution of any joint issues with Company.

Failure to fulfill any of these obligations shall be considered a violation of the School Supplier Code of Conduct, subject to consequences set forth in the Consequences of School Supplier's Failure to Perform or Comply section of the following Terms and Conditions.

Required Regulatory Approvals:
School Supplier must comply with all state and federal regulations related to its transportation of School Supplier-Delivered Gas.

TERMS AND CONDITIONS

Unaccounted for Percentage:
School Supplier shall compensate Company for unaccounted for gas. The quantity of gas available to School Supplier's Pool Customers on a daily basis shall be equal to the quantity of gas delivered for Pool Customers into Company's distribution system at the point of receipt, reduced by an Unaccounted For Gas Percentage as set forth in Appendix F.

Nomination and Balancing Procedures:
School Supplier shall be subject to the School Nomination and Balancing Provisions in Appendix J.

Comparable Firm Capacity Requirement:
Each month, School Supplier agrees to secure sufficient firm interstate pipeline capacity with primary delivery points to Company's city gates and firm supply to meet 100% of that month's Peak Design Day Demand of its Pool Customers.

On a daily basis, Company will provide School Supplier with the revised Peak Design Day Demand for School Supplier's Pool effective the following day. This volume will change over time as necessary to reflect Customers joining and/or leaving School Supplier's Pool and any changes in Company's peak design day demand parameters.

Company may periodically verify School Supplier's compliance with this Comparable Firm Capacity Requirement. School Supplier will provide to Company upon request copies of contracts for upstream pipeline capacity not assigned by Company and supply contracts showing the firm quantities reserved or purchased and the specific points of delivery. If School Supplier is securing firm city gate supplies, School Supplier shall provide a copy of such firm supply agreement, and additional documentation as required by Company to confirm compliance of the applicable interstate pipeline capacity.

RATE 185
SCHOOL POOLING SERVICE

If Company identifies a firm capacity deficiency, such deficiency shall be resolved to Company's satisfaction by one or a combination of the following, at School Supplier's discretion: 1) immediate acquisition by School Supplier of additional firm pipeline capacity, 2) assignment to School Supplier of Company's available pipeline capacity, 3) delayed enrollment of new Pool Customers, 4) return of existing Pool Customers to Company's Sales Service, or 5) transfer of Pool Customers to another School Supplier. If Company identifies a firm supply deficiency, such deficiency shall be resolved to Company's satisfaction by one or a combination of the following, at School Supplier's discretion: 1) immediate acquisition by School Supplier of additional firm supply, 2) delayed enrollment of new Pool Customers, 3) return of existing Pool Customers to Company's Sales Service, or 4) transfer of Pool Customers to another School Supplier.

Assignment of Pipeline Capacity:
School Supplier may seek assignment of Company's firm interstate pipeline capacity for meeting some portion of the usage requirements of School Supplier's Pool Customers. Company may decline to assign firm transportation and/or storage capacity if such capacity is needed to meet the needs of its Sales Service Customers or to perform the operational balancing function.

School Supplier shall take direct assignment of specific interstate pipeline firm transportation and/or storage capacity for a term, unless otherwise agreed to by Company, which is the lesser of: 1) the term of the School Pooling Agreement, or 2) the remaining term of the service agreement with the interstate pipeline applicable to such capacity, less one day, subject to Company's right of capacity recall contained elsewhere in these Terms and Conditions. Specific terms and conditions of any capacity assignment will be negotiated between School Supplier and Company, or its agent, including length of term, price, and recall timing, subject to FERC requirements for capacity release.

School Supplier may not change any primary points of receipt or delivery associated with assigned pipeline transportation contracts during the term of the capacity assignment. In addition, for specific parcels of capacity identified by Company, School Supplier may not utilize any delivery point other than those primary and secondary points identified by Company unless the capacity is released at the pipeline's full tariff rate or unless an alternate capacity billing arrangement is agreed to by School Supplier and Company. The assigned capacity is subject to recall at any time if School Supplier does not perform in accordance with the School Pooling Agreement or fails to comply with the School Supplier Code of Conduct and other provisions set forth in these Terms and Conditions.

School Supplier may re-release any capacity assigned to it hereunder, provided that: 1) School Supplier will continue to be responsible to Company for payment of all pipeline charges associated with the assigned capacity; 2) any re-release of such capacity remains subject to the restrictions identified in the Assignment of Pipeline Capacity section; and 3) the capacity is not needed to satisfy the School Supplier's Pool's DDQ on such day(s). School Supplier may use other firm pipeline capacity to accomplish its DDQ and re-release portions of its assigned pipeline capacity, subject to the previously mentioned restrictions.

RATE 185
SCHOOL POOLING SERVICE

Company Demand Forecast:
Company shall forecast each School Pool's Peak Design Day Demand and Expected Demand based upon Company's design day and forecasted weather, respectively, the number of Customers in the Pool, and the historic usage characteristics of the Pool Customers.

Curtailment Provisions:
School Supplier shall be subject to the Curtailment Procedures in Company's General Terms and Conditions Applicable to Gas Service, Rule 24.

Consequences of School Supplier's Failure to Perform or Comply
If School Supplier fails to deliver gas in accordance with the requirement of the School Pooling Agreement, or otherwise fails to comply with the provisions of this Rate Schedule, Company shall have the discretion to initiate the process to suspend temporarily or terminate such School Supplier's further participation for the applicable Pool.

If School Supplier is suspended or expelled from the School Pooling Service relative to a specific Pool, Customers in such Pool shall revert to Company's Sales Service, unless and until said Customers join another School Supplier's Pool. Any termination or cancellation of the School Pooling Agreement relative to some or all of the School Supplier's Pools and pursuant to any provision of this section shall be without waiver of any remedy, whether at law or in equity, to which the part not in default otherwise may be entitled for breach of the School Pooling Agreement.

School Supplier Operator Withdrawal or Termination:
If School Supplier in total or for a specific Pool is restricted from further participation in the School Pooling Service or elects to withdraw from the School Pooling Service, Company shall have the right to recall all pipeline capacity then assigned to School Supplier by Company associated with the specific Pool(s) in accordance with the terms of the release agreement, and have first rights to any additional pipeline capacity the School Supplier utilizes for delivery to Company's city-gate.

School Supplier shall remain responsible for the differences between the market value of the assigned pipeline capacity and the full demand charges applicable to such capacity until the earliest normal expiration date of the School Pooling Agreement, which shall constitute liquidated damages. Upon withdrawal or termination, any Over-Delivery Imbalance Quantity or Under-Delivery Imbalance Quantity shall be resolved through the purchase or sale of volumes at the price set out in the Volume Reconciliation section of Appendix J.

Other
Gas Service rendered under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

RATE 190
STORAGE SERVICE

AVAILABILITY
This Rate Schedule shall be available throughout the Company's Service Area, subject to the availability of accessible storage capacity which determination shall be in the Company's reasonable discretion.

APPLICABILITY
This Rate Schedule is applicable to Transportation Customers electing service hereunder.

CHARACTER OF SERVICE
This Rate Schedule applies to the provision of Storage Service.

RATES AND CHARGES
The monthly Rates and Charges for Gas Service under this Rate Schedule shall be:

Capacity Charge: The Capacity Charge each month shall be $1.2837 per Dekatherm multiplied by the Maximum Daily Quantity.

Inventory Charge:
The Inventory Charge shall be $0.0122 per Dekatherm multiplied by the average inventory balance of gas that Company has held for Customer's account during the month. The average inventory balance shall be the average of the Dekatherms of gas held for the Customer's account during each day of the month.

Injection Retention:
Company shall retain 0.8% of the Dekatherms of gas designated by Customer during the month for injection into Company's storage facilities for Customer's account.

Minimum Monthly Charge:
The Minimum Monthly Charge shall be the sum of the Inventory Charge and the Capacity Charge.

Other Charges:
The Other Charges set forth in Appendix C shall be charged to Customer, if applicable.

CONTRACT
Prior to initiation of Storage Service, a written contract shall be executed between Company and Customer. The contract shall specify Customer's Maximum Daily Quantity in Dekatherms. The contract shall have a minimum term of not less than one year and shall automatically extend for succeeding annual terms thereafter, subject to cancellation by either party after written notice submitted not less than ninety days prior to the end of the initial term or any succeeding annual term. However, in no event shall the contract expire during the Winter Season, unless such mid-winter termination date is mutually agreed upon.

RATE 190
STORAGE SERVICE

GAS STORAGE PROVISIONS

The maximum quantity of gas Customer may maintain in storage, without prior approval of the Company, shall be thirty (30) days times the Maximum Daily Quantity.

Company shall exercise its best efforts to inject gas into storage upon request by Customer. Customer shall notify Company not less than 24 hours in advance of the quantity of gas it elects to have Company inject into storage for its account. The quantity to be injected in any day may not exceed the Maximum Daily Quantity without prior approval from Company. Company shall not be liable for any inability to inject gas in its facilities as requested by Customer.

Customer may request withdrawals from storage for any day. However, in any day such withdrawal shall not exceed, without specific prior approval by Company, the Maximum Daily Quantity specified by contract with Company. Company shall not be liable for any inability to withdraw gas from its facilities as requested by Customer.

TERMS AND CONDITIONS

(1) Gas Service rendered under this Rate Schedule shall be subject to Company's General Terms and Conditions and the Commission's Regulations.

(2) In no event shall Company be obligated to incur any costs for additional facilities necessary to provide Storage Service under this Rate Schedule. Nonetheless, in the event Company elects to incur such costs, the costs of any additional facilities, including but not limited to any necessary telemetering equipment, that in Company's sole judgment are required or must be incurred by Company to provide Storage Service, shall be the sole responsibility of Customer, and shall be payable in full prior to the initiation of Gas Service. In addition, such costs shall include all applicable taxes.

APPENDIX A
GAS COST ADJUSTMENT

APPLICABILITY

The Gas Cost Adjustment (GCA), as updated from time to time, shall be applicable to the Gas Cost Charges included in Rate Schedules contained in this Tariff for Gas Service, as set forth below.

DESCRIPTION

The GCA shall recover the following costs, as reviewed and approved by the Commission:

1. Demand, commodity and other costs of gas supply purchased from suppliers.
2. Demand, commodity and other costs of pipeline transportation service.
3. Demand, commodity and other costs of leased gas storage and related transportation costs.
4. The net cost of gas injected into and withdrawn from storage.
5. Pipeline Take or Pay Charges and Transition Costs, and any like charges.
6. Applicable taxes, including Indiana Utility Receipts Tax.
7. All other costs approved for Gas Cost Adjustment recovery by the Commission.

GCA CHARGES – Dollars per Therm

		Applicable GCAs		
Rate Schedule	**Service**	**Estimated ($ per Therm) Eff.**	**Estimated ($ per Therm) Eff.**	**Estimated ($ per Therm) Eff.**
110	Sales	$______	$______	$______
120	Sales	$______	$______	$______
125	Transportation	$0.0000	$0.0000	$0.0000
129	Sales	$______	$______	$______
145	Transportation	$0.0000	$0.0000	$0.0000
160	Transportation	$0.0000	$0.0000	$0.0000
170	Transportation	$0.0000	$0.0000	$0.0000

APPENDIX B
NORMAL TEMPERATURE ADJUSTMENT

The billed amount for each Rate 110, 120 and 125 Customer shall be subject to a Normal Temperature Adjustment (NTA) for each bill rendered during the seven winter billing periods commencing with Customer's first meter read date after October 14th.

The NTA adjusts each Customer's monthly billed amount to reverse the impact on margin recovery caused by non-normal temperatures during the billing period, as measured by actual heating degree day variations from normal heating degree days.

NTA COMPUTATION

The NTA for each Customer's monthly billing shall be computed as follows:

NTA = NTA Therms x NTA Margin

NTA THERMS

The NTA Therms usage for each Customer to which the NTA Margin shall be applied is computed as follows:

$$\text{NTA Therms} = \frac{[\text{Actual Usage - Base Load Usage}]}{\text{Actual Degree Days}} \times [\text{Normal Degree Days - Actual Degree Days}]$$

NTA MARGIN

The NTA Margin shall be the tail block rate of the Distribution Charge for the applicable Rate Schedule.

BASE LOAD THERMS

Base Load Therms shall be Customer's average daily therms usage for the previous summer months (months of July and August) multiplied by the number of days in the billing period.

For Customers whose Base Load Usage cannot be accurately determined (e.g., new Customers without two months of summer usage history), an estimated Average Daily Therms shall be used.

NORMAL AND ACTUAL DEGREE DAYS

Normal Degree Days for each Customer's billing period shall be those utilized by the Commission for purposes of determining Company's current base rates.

Actual Degree Days for each Customer's billing period shall be taken from the actual heating degree days reported each day by the National Weather Service.

APPENDIX B
NORMAL TEMPERATURE ADJUSTMENT

Normal Degree Days for the NTA are determined by the days included in each Customer's billing period. Normal Degree Days in a leap year (a year consisting of 366 days) differ from those in non-leap years (years consisting of 365 days). Applicable Normal Degree Days tables for leap and non-leap years, as determined in Company's most recent general rate case, follow.

The following steps are used to determine Normal Degree Days in the NTA calculation:

1. Determine the days associated with Customer's billing period.
    - i. If the billing period includes days occurring in a leap year, the Normal Degree Days table for LEAP YEAR is used.
    - ii. If the billing period includes no days occurring in a leap year, the Normal Degree Days table for NON-LEAP YEAR is used.
2. From the appropriate table determine the total Normal Degree Days (NDD) for the current billing cycle, beginning with the day following the previous read date and ending with the current read date for the current billing period. This total represents the Normal Degree Days for the NTA calculation for the current billing period. Note: Actual Degree Days appear on Customer's bill.

APPENDIX B
NORMAL TEMPERATURE ADJUSTMENT

NORMAL DEGREE DAYS (NDD)

NON-LEAP YEAR

Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD
Jul 1	0	Aug 22	0	Oct 13	7	Dec 4	26	Jan 25	34	Mar 18	18	May 9	4
Jul 2	0	Aug 23	0	Oct 14	8	Dec 5	26	Jan 26	34	Mar 19	18	May 10	4
Jul 3	0	Aug 24	0	Oct 15	8	Dec 6	26	Jan 27	34	Mar 20	17	May 11	3
Jul 4	0	Aug 25	0	Oct 16	8	Dec 7	26	Jan 28	34	Mar 21	17	May 12	3
Jul 5	0	Aug 26	0	Oct 17	9	Dec 8	27	Jan 29	33	Mar 22	17	May 13	3
Jul 6	0	Aug 27	0	Oct 18	9	Dec 9	27	Jan 30	33	Mar 23	17	May 14	3
Jul 7	0	Aug 28	0	Oct 19	9	Dec 10	27	Jan 31	33	Mar 24	16	May 15	3
Jul 8	0	Aug 29	0	Oct 20	10	Dec 11	28	Feb 1	33	Mar 25	16	May 16	2
Jul 9	0	Aug 30	1	Oct 21	10	Dec 12	28	Feb 2	33	Mar 26	16	May 17	2
Jul 10	0	Aug 31	0	Oct 22	10	Dec 13	28	Feb 3	33	Mar 27	15	May 18	2
Jul 11	0	Sep 1	0	Oct 23	10	Dec 14	29	Feb 4	32	Mar 28	15	May 19	2
Jul 12	0	Sep 2	0	Oct 24	11	Dec 15	29	Feb 5	32	Mar 29	15	May 20	2
Jul 13	0	Sep 3	0	Oct 25	11	Dec 16	29	Feb 6	32	Mar 30	14	May 21	2
Jul 14	0	Sep 4	0	Oct 26	12	Dec 17	29	Feb 7	32	Mar 31	14	May 22	2
Jul 15	0	Sep 5	0	Oct 27	12	Dec 18	30	Feb 8	31	Apr 1	14	May 23	2
Jul 16	0	Sep 6	0	Oct 28	12	Dec 19	30	Feb 9	31	Apr 2	14	May 24	1
Jul 17	0	Sep 7	0	Oct 29	13	Dec 20	30	Feb 10	31	Apr 3	13	May 25	1
Jul 18	0	Sep 8	1	Oct 30	13	Dec 21	30	Feb 11	31	Apr 4	13	May 26	1
Jul 19	0	Sep 9	1	Oct 31	13	Dec 22	31	Feb 12	30	Apr 5	13	May 27	1
Jul 20	0	Sep 10	1	Nov 1	14	Dec 23	31	Feb 13	30	Apr 6	12	May 28	1
Jul 21	0	Sep 11	1	Nov 2	14	Dec 24	31	Feb 14	30	Apr 7	12	May 29	1
Jul 22	0	Sep 12	1	Nov 3	14	Dec 25	31	Feb 15	30	Apr 8	12	May 30	1
Jul 23	0	Sep 13	1	Nov 4	15	Dec 26	32	Feb 16	29	Apr 9	12	May 31	1
Jul 24	0	Sep 14	1	Nov 5	15	Dec 27	32	Feb 17	29	Apr 10	11	Jun 1	1
Jul 25	0	Sep 15	1	Nov 6	15	Dec 28	32	Feb 18	29	Apr 11	11	Jun 2	1
Jul 26	0	Sep 16	1	Nov 7	16	Dec 29	32	Feb 19	28	Apr 12	11	Jun 3	1
Jul 27	0	Sep 17	1	Nov 8	16	Dec 30	32	Feb 20	28	Apr 13	10	Jun 4	1
Jul 28	0	Sep 18	2	Nov 9	16	Dec 31	33	Feb 21	28	Apr 14	10	Jun 5	1
Jul 29	0	Sep 19	2	Nov 10	17	Jan 1	33	Feb 22	27	Apr 15	10	Jun 6	0
Jul 30	0	Sep 20	2	Nov 11	17	Jan 2	33	Feb 23	27	Apr 16	10	Jun 7	0
Jul 31	0	Sep 21	2	Nov 12	18	Jan 3	33	Feb 24	27	Apr 17	9	Jun 8	0
Aug 1	0	Sep 22	2	Nov 13	18	Jan 4	33	Feb 25	26	Apr 18	9	Jun 9	0
Aug 2	0	Sep 23	2	Nov 14	18	Jan 5	34	Feb 26	26	Apr 19	9	Jun 10	0
Aug 3	0	Sep 24	3	Nov 15	19	Jan 6	34	Feb 27	25	Apr 20	9	Jun 11	0
Aug 4	0	Sep 25	3	Nov 16	19	Jan 7	34	Feb 28	25	Apr 21	8	Jun 12	0
Aug 5	0	Sep 26	3	Nov 17	19	Jan 8	34	Mar 1	25	Apr 22	8	Jun 13	0
Aug 6	0	Sep 27	3	Nov 18	20	Jan 9	34	Mar 2	24	Apr 23	8	Jun 14	0
Aug 7	0	Sep 28	3	Nov 19	20	Jan 10	34	Mar 3	24	Apr 24	8	Jun 15	0
Aug 8	0	Sep 29	4	Nov 20	20	Jan 11	34	Mar 4	23	Apr 25	7	Jun 16	0
Aug 9	0	Sep 30	4	Nov 21	21	Jan 12	34	Mar 5	23	Apr 26	7	Jun 17	0
Aug 10	0	Oct 1	4	Nov 22	21	Jan 13	34	Mar 6	23	Apr 27	7	Jun 18	0
Aug 11	0	Oct 2	4	Nov 23	22	Jan 14	34	Mar 7	22	Apr 28	6	Jun 19	0
Aug 12	0	Oct 3	5	Nov 24	22	Jan 15	34	Mar 8	22	Apr 29	6	Jun 20	0
Aug 13	0	Oct 4	5	Nov 25	22	Jan 16	34	Mar 9	21	Apr 30	6	Jun 21	0
Aug 14	0	Oct 5	5	Nov 26	23	Jan 17	34	Mar 10	21	May 1	6	Jun 22	0
Aug 15	0	Oct 6	5	Nov 27	23	Jan 18	34	Mar 11	21	May 2	5	Jun 23	0
Aug 16	0	Oct 7	6	Nov 28	23	Jan 19	34	Mar 12	20	May 3	5	Jun 24	0
Aug 17	0	Oct 8	6	Nov 29	24	Jan 20	34	Mar 13	20	May 4	5	Jun 25	0
Aug 18	0	Oct 9	6	Nov 30	24	Jan 21	34	Mar 14	20	May 5	5	Jun 26	0
Aug 19	0	Oct 10	7	Dec 1	24	Jan 22	34	Mar 15	19	May 6	4	Jun 27	0
Aug 20	0	Oct 11	7	Dec 2	25	Jan 23	34	Mar 16	19	May 7	4	Jun 28	0
Aug 21	0	Oct 12	7	Dec 3	25	Jan 24	34	Mar 17	19	May 8	4	Jun 29	0
												Jun 30	0

Effective:

APPENDIX B
NORMAL TEMPERATURE ADJUSTMENT

NORMAL DEGREE DAYS (NDD)

LEAP YEAR

Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD	Date	NDD
Jul 1	0	Aug 22	0	Oct 13	7	Dec 4	26	Jan 25	34	Mar 17	18	May 8	4
Jul 2	0	Aug 23	0	Oct 14	8	Dec 5	26	Jan 26	34	Mar 18	18	May 9	4
Jul 3	0	Aug 24	0	Oct 15	8	Dec 6	26	Jan 27	34	Mar 19	17	May 10	3
Jul 4	0	Aug 25	0	Oct 16	8	Dec 7	26	Jan 28	34	Mar 20	17	May 11	3
Jul 5	0	Aug 26	0	Oct 17	9	Dec 8	27	Jan 29	33	Mar 21	17	May 12	3
Jul 6	0	Aug 27	0	Oct 18	9	Dec 9	27	Jan 30	33	Mar 22	17	May 13	3
Jul 7	0	Aug 28	0	Oct 19	9	Dec 10	27	Jan 31	33	Mar 23	16	May 14	3
Jul 8	0	Aug 29	0	Oct 20	10	Dec 11	28	Feb 1	33	Mar 24	16	May 15	2
Jul 9	0	Aug 30	1	Oct 21	10	Dec 12	28	Feb 2	33	Mar 25	16	May 16	2
Jul 10	0	Aug 31	0	Oct 22	10	Dec 13	28	Feb 3	33	Mar 26	15	May 17	2
Jul 11	0	Sep 1	0	Oct 23	10	Dec 14	29	Feb 4	32	Mar 27	15	May 18	2
Jul 12	0	Sep 2	0	Oct 24	11	Dec 15	29	Feb 5	32	Mar 28	15	May 19	2
Jul 13	0	Sep 3	0	Oct 25	11	Dec 16	29	Feb 6	32	Mar 29	14	May 20	2
Jul 14	0	Sep 4	0	Oct 26	12	Dec 17	29	Feb 7	32	Mar 30	14	May 21	2
Jul 15	0	Sep 5	0	Oct 27	12	Dec 18	30	Feb 8	31	Mar 31	14	May 22	2
Jul 16	0	Sep 6	0	Oct 28	12	Dec 19	30	Feb 9	31	Apr 1	14	May 23	1
Jul 17	0	Sep 7	0	Oct 29	13	Dec 20	30	Feb 10	31	Apr 2	13	May 24	1
Jul 18	0	Sep 8	1	Oct 30	13	Dec 21	30	Feb 11	31	Apr 3	13	May 25	1
Jul 19	0	Sep 9	1	Oct 31	13	Dec 22	31	Feb 12	30	Apr 4	13	May 26	1
Jul 20	0	Sep 10	1	Nov 1	14	Dec 23	31	Feb 13	30	Apr 5	12	May 27	1
Jul 21	0	Sep 11	1	Nov 2	14	Dec 24	31	Feb 14	30	Apr 6	12	May 28	1
Jul 22	0	Sep 12	1	Nov 3	14	Dec 25	31	Feb 15	30	Apr 7	12	May 29	1
Jul 23	0	Sep 13	1	Nov 4	15	Dec 26	32	Feb 16	29	Apr 8	12	May 30	1
Jul 24	0	Sep 14	1	Nov 5	15	Dec 27	32	Feb 17	29	Apr 9	11	May 31	1
Jul 25	0	Sep 15	1	Nov 6	15	Dec 28	32	Feb 18	29	Apr 10	11	Jun 1	1
Jul 26	0	Sep 16	1	Nov 7	16	Dec 29	32	Feb 19	28	Apr 11	11	Jun 2	1
Jul 27	0	Sep 17	1	Nov 8	16	Dec 30	32	Feb 20	28	Apr 12	10	Jun 3	1
Jul 28	0	Sep 18	2	Nov 9	16	Dec 31	33	Feb 21	28	Apr 13	10	Jun 4	1
Jul 29	0	Sep 19	2	Nov 10	17	Jan 1	33	Feb 22	27	Apr 14	10	Jun 5	0
Jul 30	0	Sep 20	2	Nov 11	17	Jan 2	33	Feb 23	27	Apr 15	10	Jun 6	0
Jul 31	0	Sep 21	2	Nov 12	18	Jan 3	33	Feb 24	27	Apr 16	9	Jun 7	0
Aug 1	0	Sep 22	2	Nov 13	18	Jan 4	33	Feb 25	26	Apr 17	9	Jun 8	0
Aug 2	0	Sep 23	2	Nov 14	18	Jan 5	34	Feb 26	26	Apr 18	9	Jun 9	0
Aug 3	0	Sep 24	3	Nov 15	19	Jan 6	34	Feb 27	25	Apr 19	9	Jun 10	0
Aug 4	0	Sep 25	3	Nov 16	19	Jan 7	34	Feb 28	25	Apr 20	8	Jun 11	0
Aug 5	0	Sep 26	3	Nov 17	19	Jan 8	34	Feb 29	25	Apr 21	8	Jun 12	0
Aug 6	0	Sep 27	3	Nov 18	20	Jan 9	34	Mar 1	24	Apr 22	8	Jun 13	0
Aug 7	0	Sep 28	3	Nov 19	20	Jan 10	34	Mar 2	24	Apr 23	8	Jun 14	0
Aug 8	0	Sep 29	4	Nov 20	20	Jan 11	34	Mar 3	23	Apr 24	7	Jun 15	0
Aug 9	0	Sep 30	4	Nov 21	21	Jan 12	34	Mar 4	23	Apr 25	7	Jun 16	0
Aug 10	0	Oct 1	4	Nov 22	21	Jan 13	34	Mar 5	23	Apr 26	7	Jun 17	0
Aug 11	0	Oct 2	4	Nov 23	22	Jan 14	34	Mar 6	22	Apr 27	6	Jun 18	0
Aug 12	0	Oct 3	5	Nov 24	22	Jan 15	34	Mar 7	22	Apr 28	6	Jun 19	0
Aug 13	0	Oct 4	5	Nov 25	22	Jan 16	34	Mar 8	21	Apr 29	6	Jun 20	0
Aug 14	0	Oct 5	5	Nov 26	23	Jan 17	34	Mar 9	21	Apr 30	6	Jun 21	0
Aug 15	0	Oct 6	5	Nov 27	23	Jan 18	34	Mar 10	21	May 1	5	Jun 22	0
Aug 16	0	Oct 7	6	Nov 28	23	Jan 19	34	Mar 11	20	May 2	5	Jun 23	0
Aug 17	0	Oct 8	6	Nov 29	24	Jan 20	34	Mar 12	20	May 3	5	Jun 24	0
Aug 18	0	Oct 9	6	Nov 30	24	Jan 21	34	Mar 13	20	May 4	5	Jun 25	0
Aug 19	0	Oct 10	7	Dec 1	24	Jan 22	34	Mar 14	19	May 5	4	Jun 26	0
Aug 20	0	Oct 11	7	Dec 2	25	Jan 23	34	Mar 15	19	May 6	4	Jun 27	0
Aug 21	0	Oct 12	7	Dec 3	25	Jan 24	34	Mar 16	19	May 7	4	Jun 28	0
												Jun 29	0
												Jun 30	0

APPENDIX C
OTHER CHARGES

Late Payment Charge:

If Customer does not pay a Bill for Gas Service on or before the gross payment due date, Customer shall be assessed a Late Payment Charge of three (3) percent of such Bill.

Reconnect Charge:

When Gas Service is discontinued (1) at the request of Customer, (2) for nonpayment of a Bill, (3) when authorized by Company's General Terms and Conditions or the Commission's Regulations, or (4) for any reason beyond the control of Company, and a reestablishment of Gas Service is required by Customer, Customer shall be charged a Reconnect Charge to cover a part of the cost of discontinuance and reestablishment of Gas Service. Such charge shall be fifty-five dollars ($55.00). In addition, when Gas Service is reconnected or disconnected after normal working hours at Customer's request, Customer shall be charged an After Hours Charge.

A charge equal to the Customer Facilities Charge for each month of discontinued Gas Service will also be made for re-establishing Gas Service for the same Customer at the same Premises where Gas Service has been discontinued at the Customer's request during the preceding nine months. The minimum Customer Facilities Charge assessment under the provisions of this paragraph shall be one month's Customer Facilities Charge.

After Hours Charge:

When Gas Service is connected, reconnected or disconnected after normal business hours at Customer's request, Customer shall be charged an After Hours Charge of forty-five dollars ($45.00) in addition to any other applicable charges for each connection, reconnection or disconnection.

Insufficient Funds Check Charge:

For each check of Customer returned by any bank due to insufficient funds, Customer shall be charged twenty-five dollars ($25.00) to cover a part of the cost of processing such check.

Unauthorized Gas Usage Charge:

Gas usage by Customer or Pool Operator's Pool during a Curtailment Period in excess of the quantity allowed pursuant to Rule 24 shall be considered Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Charge of five dollars ($5.00) per therm. Company shall have the right to waive all or a portion of the Unauthorized Gas Usage Charge otherwise applicable to any Customer or Pool Operator, provided that waiver of such charge shall be exercised on a non-discriminatory basis.

Fraudulent or Unapproved Use of Gas:

When the Company detects fraudulent or unapproved use of gas, or the Company's regulation, measuring equipment or other service facilities have been tampered with, Company may assess the actual costs for such field calls and repairs, in addition to the other costs pursuant to Rule 27 of the Company's General Terms and Conditions. A minimum charge of sixty-five dollars ($65.00) per occurrence shall apply.

Summary Billing Charge:

Bills provided by Company summarizing charges for Educational Institutions who are registered users of vectren.com are subject to a $45.00 charge.

APPENDIX D
BASE COST OF GAS

For informational purposes, the Base Cost of Gas determined in the general rate proceeding in Cause No. 43112, effective __________ is as set forth in the following table. The Base Cost of gas is not reflected in the Base Rates and Charges of the Rate Schedules; all gas costs are recovered through Appendix A, Gas Cost Adjustment.

		Base Cost of Gas ($ per Therm)		
Rate Schedule	**Service**	**Commodity**	**Demand**	**Total**
110	Sales	$_____	$_____	$_____
120	Sales	$_____	$_____	$_____
125	Transportation	$0.0000	$0.0000	$0.0000
129	Sales	$_____	$_____	$_____
145	Transportation	$0.0000	$0.0000	$0.0000
160	Transportation	$0.0000	$0.0000	$0.0000
170	Transportation	$0.0000	$0.0000	$0.0000

APPENDIX E
NOMINATION AND BALANCING PROVISIONS

APPLICABILITY

The following Provisions shall apply to Pool Operators and to non-Pooling Transportation Customers being provided Gas Service under Rates 145, 160 and 170. Therefore, for purposes of this Appendix E only, the term "Pool Operator", "Pool Customer" and "Pool" when used in the provisions below shall also mean "non-Pooling Transportation Customer."

NOMINATION PROVISIONS

The Pool Operator shall be obligated to notify Company of the exact daily quantity of its nomination to the delivering pipeline of Pool Operator-Delivered gas to be delivered to Company at pipeline delivery points agreeable to Company (Daily Pipeline Nomination).

Company may require Pool Operator to allocate its Daily Pipeline Nomination to specified city-gate pipeline delivery points based on minimum and maximum allocation percentages, which Company may revise from time to time, based on operational considerations. Company may decline to accept Pool Operator's Daily Pipeline Nominations or deliveries that do not comply with these city-gate allocation percentage requirements.

Pool Operator must provide the notice specified above prior to each change in Pool Operator's Daily Pipeline Nomination by submitting to Company the nomination, via the Company's EBB, by no later than 11:30 AM Central Clock Time ("CCT") of the workday previous to the start date of the Daily Pipeline Nomination. Company may accept nominations submitted after the deadlines specified above within its reasonable discretion. Until Pool Operator submits the required nomination, Pool Operator's nominations of daily quantities shall be zero. The nomination shall include information as required in Company's EBB. Unless otherwise permitted by Company, the Nomination Period shall not exceed thirty-one days.

Pool Operator shall cause the shipper to provide Company with a written statement detailing Pool Operator's actual deliveries under Pool Operator's Daily Pipeline Nomination during each Nomination Period by no later than one day following the end of the billing month.

Pool Operator shall pay a Nomination Error Charge of $.50 per Dekatherm on the quantity difference between Pool Operator's Daily Transportation Nomination and the confirmed deliveries under Pool Operator's Daily Pipeline Nomination for each day such difference occurs.

Pool Operator shall be assessed a City-Gate Allocation Non-Compliance Charge of $1.00 per Dekatherm on the quantity difference if the Pool Operator's Daily Transportation Nomination is less than the minimum or greater than the maximum city gate allocation requirements, which are calculated as the minimum or maximum city gate allocation percentages multiplied by the Pool Operator's Daily Transportation Nomination.

APPENDIX E
NOMINATION AND BALANCING PROVISIONS

BALANCING PROVISIONS

Pool Operator shall be obligated to balance its Pool Customers' total usage with the total deliveries of Pool Operator-Delivered Gas. An Imbalance Quantity shall exist when the Pool Operator's Pool's total usage is greater than or less than its total deliveries on a daily basis and/or a monthly basis. Amounts paid by Company to Pool Operator in cashing out Imbalance Quantities shall be eligible for recovery in the Gas Cost Adjustment. Amounts received by Company from Pool Operator in cashing out Imbalance Quantities shall be credited against gas costs in the Gas Cost Adjustment.

The following definitions shall apply:

Daily Index Price: The Daily Midpoint Prices per Dekatherm reported in Gas Daily, in the table "Daily Price Survey" for delivery to:
(1) Texas Gas, Zone SL; or
(2) Chicago City-Gates.

Monthly Index Price: The monthly index price per Dekatherm reported in Inside FERC's Gas Market Report, in the table "Prices of Spot Gas Delivered to Interstate Pipelines" for delivery to:
(1) Texas Gas Transmission Corp., Zone SL; or
(2) Inside FERC's Gas Market Report, in the table "Market Center Spot Gas Prices", Upper Midwest, Chicago City-Gates.

Daily Under-Delivery Charge: The Daily Under-Delivery Charge shall be the highest of the sums of each Daily Index price and the maximum interruptible pipeline transportation rate, including fuel and all surcharges, applicable to each Daily Index Price.

Daily Over-Delivery Charge: The Daily Over-Delivery Charge shall be the lowest of the sums of each Daily Index Price and the firm pipeline transportation commodity rate, including fuel and all surcharges, applicable to each Daily Index Price.

Monthly Under-Delivery Charge: The Monthly Under-Delivery Charge shall be the greater of:
(1) Company's average gas costs (demand and commodity), based on its gas purchases for the month; or
(2) The highest of the sums of each Monthly Index Price and the maximum interruptible pipeline transportation rate, including fuel and all surcharges, applicable to each Monthly Index Price.

Monthly Over-Delivery Charge: The Monthly Over-Delivery Charge shall be the lower of:
(1) Company's average gas cost (demand and commodity), based on its gas purchases for the month; or
(2) The lowest of the sums of each Monthly Index price and the firm pipeline transportation commodity rate, including fuel and all surcharges, applicable to each Monthly Index Price.

Monthly Average Index Charge: The Monthly Average Index Charge shall be the average of the sums of each Monthly Index Price and the average pipeline transportation commodity rate, including fuels and surcharges, applicable to each Monthly Index Price.

APPENDIX E
NOMINATION AND BALANCING PROVISIONS

DAILY BALANCING PROVISIONS

Pool Operator shall be obligated to balance its Pool Customers' total usage ("Total Daily Usage") with the aggregated total daily deliveries of Pool Operator-Owned Gas by the pipeline, as adjusted to reflect Company's system line loss percentage as specified in Appendix F ("Total Daily Deliveries"). A Daily Imbalance Quantity shall exist when the Total Daily Usage is greater than or less than the Pool Operator's Total Daily Deliveries.

Daily Under-Delivery Imbalance: If Pool Operator's Total Daily Deliveries are less than its Pool Customers' Total Daily Usage, the gas shortfall shall be considered Daily Under-Delivery Imbalance Quantities. Daily Under-Delivery Imbalance Quantities up to and including 10% of Total Daily Usage shall be carried over to month-end; all quantities over 10% shall be Cashed out with the Company. Pool Operator shall pay Company for Daily Under-Delivery Gas Quantities greater than 10% of Total Daily Usage pursuant to the following:

(1) 1.1 times the Daily Under-Delivery Charge for each Dekatherm of Under-Delivery Imbalance Quantity that is greater than 10%, up to and including 20% of Total Daily Usage; plus
(2) 1.2 times the Daily Under-Delivery Charge for each Dekatherm of Daily Under-Delivery Imbalance Quantity that is greater than 20%, up to and including 30% of Total Daily Usage; plus
(3) 1.4 times the Daily Under-Delivery Charge for each Dekatherm of Daily Under-Delivery Imbalance Quantity that is greater than 30% of Total Daily Usage; plus
(4) Applicable taxes.

During a Cold Weather OFO, the aforementioned Daily Under-Delivery Imbalance provisions will be replaced by those specified in the section entitled Operational Flow Orders. During a Warm Weather OFO, the Daily Under-Delivery Imbalance provisions shall not apply.

Daily Over-Delivery Imbalance: If Pool Operator's Total Daily Deliveries are greater than its Pool Customers' Total Daily Usage, the excess gas shall be considered Daily Over-Delivery Imbalance Quantities. Daily Over-Delivery Imbalance Quantities up to and including 10% of Total Daily Usage shall be carried over to month-end. If the Company or the pipeline would experience any operating difficulties as a result of Daily Over-Delivery Imbalance Quantity of Customer's gas exceeding 10% of Total Daily Usage, Company may decline to accept delivery of the excess quantities. If Company does receive the excess quantities, they shall be Cashed out with the Company. Company shall pay Pool Operator for such Daily Over-Delivery Imbalance Quantities greater than 10% of Total Daily Usage pursuant to the following:

1) 0.9 times the Daily Over-Delivery Charge for each Dekatherm of Daily Over-Delivery Imbalance Quantity that is greater than 10%, up to and including 20% of Total Daily Usage, plus
2) 0.8 times the Daily Over-Delivery Charge for each Dekatherm of Daily Over-Delivery Imbalance Quantity that is greater than 20%, up to and including 30% of Total Daily Usage; plus.
3) 0.6 times the Daily Over-Delivery Charge for each Dekatherm of Daily Over-Delivery Imbalance Quantity that is greater than 30% of Total Daily Usage.

During a Warm Weather OFO, the aforementioned Daily Over-Delivery Imbalance provisions will be replaced by those specified in the section entitled Operational Flow Orders. During a Cold Weather OFO, the Daily Over-Delivery Imbalance provisions shall not apply.

APPENDIX E
NOMINATION AND BALANCING PROVISIONS

MONTHLY BALANCING PROVISIONS

Pool Operator shall be obligated to balance its Pool Customers' total monthly usage ("Total Monthly Usage") with the actual monthly deliveries of Pool Operator-Delivered Gas by the pipeline, as adjusted to reflect (1) Company's unaccounted for gas percentage as specified in Appendix F, (2) the net effect of Daily Imbalance Quantities cashed out during the current month, and (3) prior month Monthly Over-Delivery Imbalance Quantities made available to Pool Operator or Monthly Under-Delivery Imbalance Quantities made up by Pool Operator, (collectively, "Total Monthly Deliveries"). A Monthly Imbalance Quantity shall exist when the Total Monthly Usage is greater than or less than the Pool Operator's Total Monthly Deliveries.

Monthly Under-Delivery Imbalance: If the Total Monthly Deliveries for Pool Operator's account at the end of the month are less than its Pool Customers' Total Monthly Usage, the gas shortfall shall be considered Monthly Under-Delivery Imbalance Quantities. Monthly Under-Delivery Imbalance Quantities up to and including 5% of Total Monthly Usage shall be carried forward to the following month; quantities greater than 5% shall be Cashed out with the Company. Pool Operator shall pay Company for Monthly Under-Delivery Imbalance Quantities greater than 5% of Total Monthly Usage pursuant to the following:

(1) 1.1 times the Monthly Under-Delivery Charge for each Dekatherm of Monthly Under-Delivery Imbalance Quantity that is greater than 5%, up to and including 15% of Total Monthly Usage; plus
(2) 1.2 times the Monthly Under-Delivery Charge for each Dekatherm of Monthly Under-Delivery Imbalance Quantity that is greater than 15%, up to and including 25% of Total Monthly Usage; plus,
(3) 1.4 times the Monthly Under-Delivery Charge for each Dekatherm of Monthly Under-Delivery Imbalance Quantity that is greater than 25% of Total Monthly Usage; plus
(4) Applicable taxes.

Monthly Over-Delivery Imbalance: If the Total Monthly Deliveries for Pool Operator's account at the end of the month are greater than its Pool Customer's Total Monthly Usage, the gas excess shall be considered Monthly Over-Delivery Imbalance Quantities. Monthly Over-Delivery Imbalance Quantities up to and including 5% of Total Monthly Usage shall be carried forward to the following month; quantities greater than 5% shall be Cashed out with the Company. Company shall pay Pool Operator for Monthly Over-Delivery Imbalance Quantities greater than 5% of Total Monthly Usage pursuant to the following:

(1) 0.9 times the Monthly Over-Delivery Charge for each Dekatherm of Monthly Over-Delivery Imbalance Quantity that is greater than 5%, up to and including 15% of Total Monthly Usage; plus:
(2) 0.8 times the Monthly Over-Delivery Charge for each Dekatherm of Monthly Over-Delivery Imbalance Quantity that is greater than 15%, up to and including 25% of Total Monthly Usage; plus
(3) 0.6 times the Monthly Over-Delivery Charge for each Dekatherm of Monthly Over-Delivery Imbalance that is greater than 25% of Total Monthly Usage.

APPENDIX E
NOMINATION AND BALANCING PROVISIONS

OPERATIONAL FLOW ORDERS

Pool Operator is obligated, when requested by the Company through an Operational Flow Order ("OFO"), to nominate and deliver gas supply to the Company's city gates in the manner instructed by the Company. Company may call a Cold Weather OFO or a Warm Weather OFO where such action is necessary, in the Company's sole judgment, to (1) protect the reliability of Company's gas system; (2) comply with Company's Curtailment Procedures in the General Terms and Conditions Applicable to Gas Service, and/or (3) adhere to the various interstate pipeline companies' balancing requirements, as stated in their FERC-approved tariffs.

Cold Weather OFO Day: During a Cold Weather OFO, the Pool Operator shall be subject to the following Daily OFO Under-Delivery Imbalance provisions:

If Pool Operator's Daily Under-Delivery Imbalance Quantity is greater than 3% of Total Daily Usage, the shortfall quantities shall be Cashed-out with the Company. Pool Operator shall pay Company the following:

(1) For each Dekatherm of Daily Under-Delivery Imbalance Quantities greater than three (3) percent of Total Daily Usage, the greater of the highest incremental gas cost paid by Company on the date of noncompliance or the Daily Under-Delivery Charge; plus
(2) The payment of all other charges incurred by Company and attributable to Pool Operator's Daily Under-Delivery Imbalance Quantity, including pipeline penalty charges on the OFO shortfall quantities; plus
(3) An OFO Imbalance Charge of $10.00 per Dekatherm on the portion of the Daily Under-Delivery Imbalance Quantity that is greater than three (3) percent of Total Daily Usage; plus
(4) Applicable taxes.

Warm Weather OFO Day: During a Warm Weather OFO, the Pool Operator shall be subject to the following Daily OFO Over-Delivery Imbalance provisions:

If Pool Operator's Daily Over-Delivery Imbalance Quantity is greater than 3% of its Total Daily Usage, Company may refuse to receive such excess quantities from the pipeline(s). If Company receives such excess quantities, they shall be Cashed out with the Company. Company shall pay the Pool Operator for each Dekatherm of Daily Over-Delivery Imbalance Quantities greater than three (3) percent of Total Daily Usage, the lesser of the lowest incremental gas cost paid by Company on the date of non-compliance or the Daily Over-Delivery Charge. Pool Operator shall pay Company the following:

(1) The payment of all charges incurred by Company and attributable to the Pool Operator's Daily Over-Delivery Imbalance Quantity; including pipeline penalty charges on the OFO excess quantities; and
(2) An OFO Imbalance Charge of $10.00 per Dekatherm on the portion of the Daily Over-Delivery Imbalance Quantity that is greater than three (3) percent of Total Daily Usage; plus
(3) Applicable taxes.

APPENDIX E
NOMINATION AND BALANCING PROVISIONS

IMBALANCE TRADING

Pool Operator may trade daily and monthly imbalance quantities with other Pool Operators or Non-Pooling Transportation Customers to reduce or eliminate its imbalances. Imbalance Trading is subject to the following Terms and Conditions:

(1) Daily Imbalances incurred during Operational Flow Order periods are not eligible for trading.

(2) The schedule for the trading of imbalances shall be as follows:
   a. Company shall issue an initial statement of daily and monthly imbalances (i.e. prior to imbalance trades) to Pool Operator within ten (10) business days following the end of the month.
   b. Pool Operator shall complete and submit its daily and monthly imbalance trades to Company within two (2) business days following the issuance of the initial imbalance statement.
   c. Company shall issue a final imbalance statement of daily and monthly imbalances to Pool Operator within three (3) business days following the close of imbalance trading.

(3) The quantity eligible for trading is 100% of the calculated pre-trade daily or monthly imbalance quantities. Pool Operator may not trade to establish an imbalance in the opposite direction of the original imbalance.

(4) Company will bill both parties to an Imbalance Trade a $10.00 Imbalance Trading Charge for each transaction. For purposes of this charge, a transaction is each transfer of gas imbalance on a specific gas day pursuant to an arrangement by, or between, Pool Operator(s) to purchase, sell, or trade gas imbalances.

(5) Any dollar payments, receipts, or exchanges of other consideration agreed upon between the parties to an Imbalance Trading transaction are outside the scope of this tariff and must be completed between the parties themselves.

(6) Trading of imbalances will not be permitted across operational systems, unless specifically approved in advance by Company.

WAIVER OF CHARGES

In its reasonable discretion, on a case-by-case basis, Company may waive all or part of any Charge assessable to Pool Operator pursuant to this Appendix E, provided, however, that the waiver of such Charge shall be exercised on a non-discriminatory basis. Requests for waivers must be submitted in writing to the Company.

APPENDIX F
UNACCOUNTED FOR GAS PERCENTAGE

APPLICABILITY

This Appendix shall be applicable to all Transportation Customers, School Suppliers and Pool Operators.

DESCRIPTION

1.3 % of the quantities received by Company from Transportation Customer, School Supplier or Pool Operator at a point of receipt on the Company's distribution system shall be retained by Company to compensate for unaccounted for gas.

The Unaccounted For Gas Percentage stated above shall be adjusted periodically by the Company, through updating of this Appendix, to reflect any changes in the unaccounted for gas percentage.

APPENDIX G
UNIVERSAL SERVICE FUND ADJUSTMENT

APPLICABILITY

The Universal Service Fund ("USF") Adjustment, established in accordance with the Commission's Order in Cause No. 42590, recovers the unfunded balance in the USF from customers receiving service under all rate schedules.

RATES AND CHARGES

The USF Adjustment shall be applied to each therm of metered gas usage each month. The current USF Adjustments by Rate Schedule are set forth below:

Rate Schedule	USF Adjustment (per therm)
110	$0.007
120	$0.005
125	$0.005
129	$0.005
145	$0.001
160	$0.001
170	$0.001

APPENDIX H
PIPELINE SAFETY ADJUSTMENT

APPLICABILITY

The Pipeline Safety Adjustment ("PSA") shall be applicable to all Customers receiving Gas Service as set forth below.

DESCRIPTION

The PSA shall recover Company's incremental Operation and Maintenance expenses related to complying with federal mandates resulting from the Pipeline Safety Improvement Act of 2002. Such costs would include incremental expenses related to mapping, training, assessment, testing, data collection and storage, verification audits, remediation, right-of-way clearing, public education programs and all other incremental costs required to comply, including associated taxes.

The Company's actual, incremental pipeline safety expenses, subject to the Annual Limits below, shall be reconciled annually with the actual recovery under this Pipeline Safety Adjustment, with any difference being reflected as a charge or credit over the next twelve months.

The annual limits on actual pipeline safety expenses to be reconciled each calendar year are as follows:

Calendar Year	Annual Limit
1	$750,000
2	$500,000
3 and thereafter[1]	$500,000

Actual, incremental pipeline safety expenses incurred by the Company in excess of the Annual Limits shall be deferred for recovery through this PSA in a subsequent annual period or, if approved, in the Company's base rates.

PSA CHARGES

The Pipeline Safety Adjustment shall be applied to each therm of metered gas usage each month. The current PSAs by Rate Schedule are set forth below:

Rate Schedule	PSA ($per Therm)	Allocation Percentage
110	$______	67.7686%
120/125/129/145	$______	20.1784%
160	$______	7.3728%
170	$______	4.6803%

1 The settlement agreements and Commission order in Cause No. 42596 that established the PSA provide for a comprehensive review of the operation of the PSA after three (3) years.

APPENDIX I
ENERGY EFFICIENCY RIDER (PENDING)

APPLICABILITY

The Energy Efficiency Rider shall be applicable to all Customers served under the following Rate Schedules:

Rate 110 – Residential Sales Service
Rate 120 – General Sales Service
Rate 125 – School Transportation Service

DESCRIPTION

The Energy Efficiency Rider shall be the sum of the following two components as described below, for each applicable Rate Schedule:

(1) Energy Efficiency Funding Component (EEFC)
(2) Sales Reconciliation Component (SRC)

Energy Efficiency Funding Component (EEFC):

The EEFC shall recover the costs of funding energy efficiency efforts throughout Company's Service Area. These efforts may include, among others, energy efficiency programs, customer education programs and weatherization programs designed to benefit Customers under the applicable Rate Schedules.

The estimated annual costs, plus related revenue taxes, shall be divided by projected sales volumes to determine the applicable EEFC. The actual costs recoverable and the actual costs recovered under the EEFC shall be reconciled, with any under or over recovery being recovered or returned via the EEFC over a subsequent twelve month period.

Sales Reconciliation Component (SRC):

The SRC shall recover the differences between Actual Margins and Adjusted Order Granted Margins for the applicable Rate Schedules.

Actual Margins are defined as monthly margins for each Rate Schedule, prior to the SRC adjustment. Adjusted Order Granted Margins are defined as the order granted monthly margins for each Rate Schedule as approved in Company's most recent general rate case as adjusted to reflect the change in number of customers from the order granted levels. To reflect the change in number of customers, order granted margin per customer is multiplied by the change in the number of customers since the like month during the test year, with the product being added to the order granted margins for such month.

Company shall defer the calculated differences between Actual Margins and Adjusted Order Granted Margins for subsequent return or recovery via the SRC. Annually, Company shall reflect in a revised SRC the accumulated monthly margin differences.

The accumulated monthly margin differences for each Rate Schedule shall be divided by projected sales volumes for each Rate Schedule to determine the applicable SRC. Projected and actual recoveries by Rate Schedule under the SRC are reconciled, with any under or over recovery being recovered or returned over a subsequent twelve month period.

APPENDIX I
ENERGY EFFICIENCY RIDER (PENDING)

ENERGY EFFICIENCY RIDER RATE

The applicable Energy Efficiency Rider Rate (the sum of the EEFC and SRC) shall be applied to each therm of metered gas usage each month.

Rate Schedule	(A) Energy Efficiency Funding Component	(B) Sales Reconciliation Component	(A) + (B) Energy Efficiency Rider Rate
110	$0.00000	$0.00000	$0.00000
120/125	$0.00000	$0.00000	$0.00000

All rates are given in $/therm

APPENDIX J
SCHOOL NOMINATION AND BALANCING PROVISIONS

APPLICABILITY

The following Provisions shall apply to School Suppliers under Rate 185.

DAILY SCHEDULING OF DIRECTED DELIVERY QUANTITIES:

By 10:00 a.m. Central Clock Time (CCT), Company will post on its EBB, School Supplier's DDQ by Pool for the gas day beginning 9:00 a.m. CCT the following day. Such DDQ shall be the sum of: 1) the Expected Demand of School Supplier's Pool for that gas day calculated using the Pool's demand equation and forecasted weather plus an Unaccounted For Gas Percentage as set forth in Appendix F; and 2) any necessary adjustments for interstate pipeline and/or Company operating constraints, system knowledge and experience, and/or prior imbalances associated with the periodic volume reconciliations. The DDQ will be stated in city gate Dekatherms. At the time of posting the DDQ, Company shall indicate the minimum, maximum or exact volume that shall be delivered by Supplier on each interstate pipeline or to each Company city gate to achieve the DDQ, and shall post any interstate pipeline and/or Company operating constraints that are expected to be in effect the following day(s). By 11:30 a.m. CCT each day, and via intra-day nominations thereafter, Supplier shall nominate to the Company via the Company's EBB the quantity of gas that it has scheduled for delivery at Company's city gate(s) for its Pool(s) for the following gas day. Supplier agrees to adhere to comply with any Company operating and/or interstate pipeline restrictions communicated by Company.

APPENDIX J
SCHOOL NOMINATION AND BALANCING PROVISIONS

BALANCING PROVISIONS

School Supplier shall be obligated to balance its forecasted DDQ with the total daily deliveries of School Supplier-Delivered Gas. An Imbalance Quantity shall exist when the School Supplier's DDQ is greater than or less than its total deliveries on a daily basis. Amounts paid by Company to School Supplier in cashing out Imbalance Quantities shall be eligible for recovery in the Gas Cost Adjustment. Amounts received by Company from School Supplier in cashing out Imbalance Quantities shall be credited against gas costs in the Gas Cost Adjustment.

The following definitions shall apply:

Daily Index Price: The Daily Midpoint Prices per Dekatherm reported in Gas Daily, in the table "Daily Price Survey" for delivery to:
(3) Texas Gas, Zone SL; or
(4) Chicago City-Gates.

Daily Under-Delivery Charge: The Daily Under-Delivery Charge shall be the highest of the sums of each Daily Index price and the maximum interruptible pipeline transportation rate, including fuel and all surcharges, applicable to each Daily Index Price.

Daily Over-Delivery Charge: The Daily Over-Delivery Charge shall be the lowest of the sums of each Daily Index Price and the firm pipeline transportation commodity rate, including fuel and all surcharges, applicable to each Daily Index Price.

DAILY BALANCING PROVISIONS

School Supplier shall be obligated to balance its Pool DDQ with the aggregated total daily deliveries of School Supplier-Owned Gas by the pipeline ("Total Daily Deliveries"). A Daily Imbalance Quantity shall exist when the School Supplier's Total Daily Deliveries are greater than or less than the DDQ.

Daily Under-Delivery Imbalance:
During a Cold Weather OFO, these provisions will be replaced by those specified in the section entitled Operational Flow Orders.

If School Supplier's Total Daily Deliveries are less than its DDQ, the gas shortfall shall be considered Daily Under-Delivery Imbalance Quantities. School Supplier shall pay Company for Daily Under-Delivery Gas Quantities of Total Daily Usage pursuant to the following:
(1) the Daily Under-Delivery Charge for each Dekatherm of Under-Delivery Imbalance Quantity; plus
(2) DDQ non-compliance charge of $1.00 per Dekatherm; plus
(3) All other charges incurred by Company and attributable to School Supplier's Daily Under-Delivery Imbalance Quantity, including pipeline penalty charges; plus
(4) Applicable taxes.

Daily Over-Delivery Imbalance:
During a Warm Weather OFO, these provisions will be replaced by those specified in the section entitled Operational Flow Orders.

If School Supplier's Total Daily Deliveries are greater than its DDQ, the excess gas shall be considered Daily Over-Delivery Imbalance Quantities. Company shall pay School Supplier for each Dth of Daily Over-Delivery Gas Quantities the Daily Over-Delivery Charge.

APPENDIX J
SCHOOL NOMINATION AND BALANCING PROVISIONS

School Supplier shall pay Company for Daily Over-Delivery Gas Quantities pursuant to the following:
(1) the DDQ non-compliance charge of $1.00 per Dekatherm; plus
(2) All other charges incurred by Company and attributable to School Supplier's Daily Over-Delivery Imbalance Quantity, including pipeline penalty charges; plus
(3) Applicable taxes.

OPERATIONAL FLOW ORDERS

School Supplier is obligated, when requested by the Company through an Operational Flow Order ("OFO"), to nominate and deliver gas supply to the Company's city gates in the manner instructed by the Company. Company may call a Cold Weather OFO or a Warm Weather OFO where such action is necessary, in the Company's sole judgment, to (1) protect the reliability of Company's gas system; (2) comply with Company's Curtailment Procedures in the General Terms and Conditions Applicable to Gas Service, and/or (3) adhere to the various interstate pipeline companies' balancing requirements, as stated in their FERC-approved tariffs.

Cold Weather OFO Day: During a Cold Weather OFO, the School Supplier shall be subject to the following Daily OFO Under-Delivery Imbalance provisions:

When School Supplier has a Daily Under-Delivery Imbalance School Supplier shall pay Company the following:
(1) For each Dekatherm of Daily Under-Delivery Imbalance Quantity the higher of the highest incremental gas cost paid by Company on the date of noncompliance or the Daily Under-Delivery Charge; plus
(2) OFO Non-Compliance Charge of $10.00 per Dekatherm; plus
(3) All other charges incurred by Company and attributable to School Supplier's Daily Under Delivery Imbalance Quantity, including pipeline penalty charges on the OFO shortfall quantities; plus
(4) Applicable taxes.

Warm Weather OFO Day: During a Warm Weather OFO, the School Supplier shall be subject to the following Daily OFO Over-Delivery Imbalance provisions:

When a School Supplier has a Daily Over-Delivery Imbalance the Company shall pay School Supplier for each Dekatherm of Daily Over-Delivery Imbalance Quantity the lower of the lowest incremental gas cost paid by Company on the date of noncompliance or the Daily Over-Delivery Charge.

School Supplier shall pay Company for Daily Over-Delivery Quantities pursuant to the following:
(1) OFO Non-Compliance Charge of $10.00 per Dekatherm; plus
(2) All charges incurred by Company and attributable to the School Supplier's Daily Over-Delivery Imbalance Quantity; including pipeline penalty charges on the OFO excess quantities; plus
(3) Applicable taxes.

APPENDIX J
SCHOOL NOMINATION AND BALANCING PROVISIONS

IMBALANCE TRADING

School Supplier may trade daily imbalance quantities with other School Suppliers to reduce or eliminate its imbalances. Imbalance Trading is subject to the following Terms and Conditions:

(1) Daily Imbalances incurred during Operational Flow Order periods are not eligible for trading.
(2) The schedule for the trading of imbalances shall be as follows:
   a. Company shall issue an initial statement of monthly imbalances (i.e. prior to imbalance trades) to School Supplier.
   b. School Supplier shall complete and submit its monthly imbalance trades to Company within two (2) business days following the issuance of the initial imbalance statement.
   c. Company shall issue a final imbalance statement of monthly imbalances to School Supplier within three (3) business days following the close of imbalance trading.
(3) The quantity eligible for trading is 100% of the calculated pre-trade daily imbalance quantities. School Supplier may not trade to establish an imbalance in the opposite direction of the original imbalance.
(4) Any City-gate Non-Compliance volumes will not be changed due to trading of imbalances, and will be subject to the City-Gate Non-Compliance Charge.
(5) Company will bill both parties to an Imbalance Trade a $10.00 Imbalance Trading Charge for each transaction. For purposes of this charge, a transaction is each transfer of gas imbalance on a specific gas day pursuant to an arrangement by, or between, School Supplier(s) to purchase, sell, or trade gas imbalances.
(6) Any dollar payments, receipts, or exchanges of other consideration agreed upon between the parties to an Imbalance Trading transaction are outside the scope of this Tariff for Gas Service and must be completed between the parties themselves.
(7) Trading of imbalances will not be permitted across operational systems or Gas Transportation Programs.

VOLUME RECONCILIATIONS

Annual Reconciliation:

Company will identify imbalances on an annual basis for each School Supplier's Pool through calculating the difference between the Pool's Delivered Supplies and its Pool's Usage. Calculation of imbalances will be based on Supplier's monthly deliveries to its Pool reduced by the Unaccounted For Gas Percentage as set forth in Appendix F and compared to the Pool's total usage.

School Supplier will eliminate any annual imbalances via either:

(1) payment from Company for Over-Delivery Imbalance Quantities, or
(2) payment from School Supplier for Under-Delivery Imbalance Quantities

at the "Weighted Average Imbalance Price" calculated based on
(1) School Supplier deliveries; and
(2) the arithmetic average of the "Monthly Contract Index" prices published as reported by Inside FERC's Gas Market Report in the table "Prices of Spot Gas Deliveries to Pipelines" for the applicable months during the period of delivery to:
      (1) Texas Gas Transmission Corp., Zone SL; or
      (2) Upper Midwest, Chicago City-Gates,

inclusive of firm pipeline transportation commodity rate, fuel and all surcharges, and adjusted for the necessary taxes.

APPENDIX J
SCHOOL NOMINATION AND BALANCING PROVISIONS

WAIVER OF CHARGES

In its reasonable discretion, on a case-by-case basis, Company may waive all or part of any Charge assessable to School Supplier pursuant to this Appendix J, provided, however, that the waiver of such Charge shall be exercised on a non-discriminatory basis. Requests for waivers, showing justifiable cause, must be submitted in writing to Company.

APPENDIX K
DISTRIBUTION REPLACEMENT ADJUSTMENT ("DRA")

APPLICABILITY

The Distribution Replacement Adjustment ("DRA") shall be applicable to all Customers receiving Gas Service under the Rate Schedules as set forth below in the DRA Charges section.

DESCRIPTION

The DRA shall recover Company's annual revenue requirement associated with its accelerated replacement of cast iron and/or bare steel related infrastructure. The DRA shall reflect the impact of cumulative net plant additions as offset by cumulative maintenance expense reductions at the end of the most recent twelve month period.

DRA CHARGES

The Distribution Replacement Adjustment shall be applied to each therm of metered gas usage each month. The current DRAs by Rate Schedule are set forth below:

Rate Schedule	DRA ($ per Therm)
110	$0.0000
120/125/145	$0.0000
160	$0.0000

RIDER ED
ECONOMIC DEVELOPMENT RIDER

AVAILABILITY

This Rider shall be available throughout Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determinations shall be within Company's reasonable discretion.

APPLICABILITY

The Economic Development Rider is applicable to any new Non-Residential Customer who occupies a new or existing establishment, and to any existing Non-Residential Customer who expands an existing establishment, who:

1. Receives service under Rate 145 or 160,
2. Makes application to Company for service under this Rider,
3. Uses at least 5,000 Dth per year at a single location,
4. Has applied for and received economic assistance from State or local government or other public agency, and either:
5. Adds 25 incremental full-time employees to its workforce at the same location, or
6. Makes an incremental capital investment of at least one million dollars ($1,000,000) at the same location.

For new Customers, application for service hereunder must be made at the time of initial application for gas service.

This Rider is not available:

1. To a Customer who is a "new" Customer as a result of a change in ownership of an existing establishment, or
2. For renewal of service following service interruptions related to, but not limited to, equipment failure, temporary plant shutdown, work stoppage, or economic conditions.

EVIDENCE OF CONTINUING APPLICABILITY

Customer shall make available to Company, at its reasonable request, evidence of full-time employment levels and capital investments used as the basis for applicability for receiving service hereunder.

RATES AND CHARGES

Customer receiving service under this Rider:

1. Shall be billed 50% of the Distribution Charge due per month under the applicable Rate Schedule for all "incremental volumes" (defined below), for a period of twenty-four (24) consecutive months.
2. Shall designate the date on which the 50% reduction applicable to Distribution Charges on incremental volumes shall commence, said date not to be later than twelve (12) months after Company's approval of Customer's application.
3. Shall continue to be billed the full amount of all other Monthly Rates and Charges applicable to the Rate Schedule under which Customer is receiving service.
4. Shall resume being billed the full Monthly Rates and Charges under the applicable Rate Schedule after receiving service under this Rider for twenty-four (24) months.

RIDER ED
ECONOMIC DEVELOPMENT RIDER

INCREMENTAL VOLUMES

1. For new Customers, "incremental volumes" are defined as all volumes, subject to Customer having met the 5,000 Dth per year minimum threshold.
2. For existing Customers, "incremental volumes" must be at least 5,000 Dth per year, and will be determined by Company, giving consideration to Customer's historical usage.

CONTRACT

Upon approval of application by Company, Customer must enter into a Contract under this Rider. The Contract shall also include such other terms and conditions which Company determines in its reasonable discretion to be necessary or advisable in connection with offering service under this Rider, including, but not limited to, the requirement for Customer to pay to Company the difference between the total charges under this Rider and the otherwise applicable Rate Schedule charges if during the term of the Contract Customer fails to meet the employment additions / retentions specified at the beginning of the service relationship.

Establishments for which a change in ownership occurs after Customer enters into a Contract under this Rider shall continue to receive service hereunder for the balance of the term of the Contract, as long as all other conditions of the Contract and this Rider are upheld by Customer.

Company reserves the right to immediately terminate service under this Rider, if Company determines that Customer has failed to comply with the terms of Applicability at any time during the term of the Contract.

EXPIRATION

This Rider shall expire on December 31, 2012. Customers making application for service hereunder prior to this date shall be eligible for the full twenty-four (24) months of Distribution Charge discount described herein.

RIDER AD
AREA DEVELOPMENT RIDER

AVAILABILITY

This Rider shall be available throughout Company's Service Area, subject to the availability of adequate facilities and gas supplies, which determinations shall be within Company's reasonable discretion.

APPLICABILITY

The Area Development Rider is applicable to any Non-Residential Customer who:

1. Receives service under Rate 145 or 160,
2. Makes application to Company for service under this Rider,
3. Uses at least 5,000 Dth per year at this single location, and
4. Qualifies for one of the following area development categories:

Urban Redevelopment: Any new Customer who locates in an existing building of 25,000 square feet or more, which has been unoccupied and/or remained dormant for a period of two (2) years or more, as determined by the Company, or

Brownfield Redevelopment: Any Customer who locates a new or existing establishment in a designated Brownfield Redevelopment Area (as defined by Indiana or Federal Law), or

Economic Development Zone: Any new Customer who locates in a new or existing establishment or any existing Customer who expands an existing establishment, in a designated Urban Enterprise Zone, Airport Development Zone, Certified Technology Park, or other similarly designated zone, and either (1) adds at least 15 incremental full-time employees to its workforce at the same location, or (2) makes an incremental capital investment of at least five hundred thousand dollars ($500,000) at the same location. Employment additions and capital investments must occur within a reasonable period following Company's approval of the Contract.

For new Customers, application for service under this Rider must be made at the time of initial application for Gas Service.

This Rider is not available:

1. To a Customer who is a "new" Customer as a result of a change in ownership of an existing establishment, or
2. For renewal of service following service interruptions related to, but not limited to, equipment failure, temporary plant shutdown, work stoppage, or economic conditions.

EVIDENCE OF CONTINUING APPLICABILITY

Customer shall make available to Company, at its reasonable request and as applicable, evidence of full-time employment levels and capital investments used as the basis for applicability for receiving service hereunder.

RIDER AD
AREA DEVELOPMENT RIDER

RATES AND CHARGES

Customer receiving service under this Rider:

1. Shall be billed the full Monthly Rates and Charges under the applicable Rate Schedule for all "incremental volumes" (defined below), for a period of sixty (60) consecutive months, except that the applicable Rate Schedule Distribution Charge, exclusive of any charges from applicable Appendices or Riders, shall be discounted as follows:
   a. For the first 12-month period, the Distribution Charge will be discounted by 50% per month;
   b. For the second 12-month period, the Distribution Charge will be discounted by 40% per month;
   c. For the third 12-month period, the Distribution Charge will be discounted by 30% per month;
   d. For the fourth 12-month period, the Distribution Charge will be discounted by 20% per month;
   e. For the fifth 12-month period, the Distribution Charge will be discounted by 10% per month.
2. Shall resume being billed the full Monthly Rates and Charges under the applicable Rate Schedule after receiving service under this Rider for sixty (60) months.
3. Shall designate the date on which the discount applicable to Distribution Charges on incremental volumes shall commence, said date not to be later than twelve (12) months after Company's approval of Customer's application.

INCREMENTAL VOLUMES

1. For new Customers, "incremental volumes" are defined as all volumes, subject to Customer having met the 5,000 Dth per year minimum threshold.
2. For existing Customers, "incremental volumes" must be at least 2,500 Dth per year, and will be determined by Company, giving consideration to Customer's historical usage.

CONTRACT

Upon approval of application by Company, Customer must enter into a Contract under this Rider. The Contract shall also include such other terms and conditions which Company determines in its reasonable discretion to be necessary or advisable in connection with offering service under this Rider, including, but not limited to, the requirement for Customer to pay to Company the difference between the total charges under this Rider and the otherwise applicable Rate Schedule charges if during the term of the Contract Customer fails to meet the employment additions / retentions specified at the beginning of the service relationship.

Establishments for which a change in ownership occurs after Customer enters into a Contract under this Rider shall continue to receive service hereunder for the balance of the term of the Contract, as long as all other conditions of the Contract and this Rider are upheld by Customer.

Company reserves the right to immediately terminate service under this Rider, if Company determines that Customer has failed to comply with the terms of Applicability at any time during the term of the Contract.

EXPIRATION

This Rider shall expire on December 31, 2012. Customers making application for service hereunder prior to this date shall be eligible for the full sixty (60) months of Distribution Charge discount described herein.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

APPLICABILITY

These Terms and Conditions shall be applicable to Gas Service provided by Company. In the event Company's Terms and Conditions conflict with any Definition, Rate Schedule or Appendix, the Terms and Conditions shall be controlling.

1. APPLICATION OR CONTRACT REQUIRED FOR GAS SERVICE

A. An application and/or contract, properly executed, may be required from Customer before Company will provide Gas Service, provided, however, that Company shall have the right to reject any application and/or offer of contract for any valid reason.

B. When Customer's application for Gas Service is accepted by Company, such application and acceptance shall constitute an agreement between Customer and Company.

C. Company shall determine the availability of Gas Service and the conditions under which Gas Service shall be provided.

D. Company shall prescribe reasonable terms to be included in the contract between Company and Customer.

E. If a contract between Company and Customer contains any provision which is contrary to, or becomes contrary to, any Definition, Rate Schedule, Company's Terms and Conditions, the Commission's Regulations, any lawful decision of the Commission or is, or becomes, otherwise not in accordance with valid local, state and/or federal laws, such provision shall be of no force or effect.

F. In its reasonable discretion, Company may require a long-term contract when unusual construction or equipment expense is necessary to provide Gas Service.

G. Company may refuse Gas Service or disconnect Gas Service on account of arrearages due for Gas Service furnished to persons formerly receiving service at the Premises as Customer of Company, if the former Customer continues to reside at such Premises.

2. ALL AGREEMENTS TO BE INCORPORATED IN CONTRACT

No promises, agreements or representations of any agent of Company shall be binding upon Company unless the same shall have been incorporated in a written contract before such contract is signed and approved by an authorized agent of Company.

3. ASSIGNMENT OF CONTRACT

The benefits and obligations of any contract for Gas Service shall inure to and be binding upon successors and assigns, and executors or administrators, as the case may be, of the original parties thereto, respectively, for the full-term thereto; provided that no assignment thereof shall be made by Customer without first obtaining Company's prior written consent.

4. DATA ON CUSTOMER'S INSTALLATION

Upon request of Company, Customer shall present in writing to Company a list of the equipment or appliances which are or will be connected to Company's lines, giving the locations on the Premises and the nameplate input ratings of all such equipment or appliances.

5. CONSENT FROM COMPANY BEFORE INCREASING LOAD

Commercial and Industrial Customers shall not install gas equipment of any kind or otherwise increase the demand for Gas Service beyond existing contractual limits or facilities capabilities except upon prior written consent from Company.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

6. EXTENSION OF COMPANY'S FACILITIES

A. The obligation of Company to provide any extension of facilities shall be subject to the Restrictions and Curtailments of Gas Service made effective pursuant to other provisions of Company's Terms and Conditions and as otherwise provided by law.

B. Upon request for Gas Service by a prospective Customer or a group of prospective Customers located in the same area, Company will extend without charge its facilities including distribution mains, underground service pipes, meters and other equipment necessary to provide the service provided:

1) that Company's estimate of its Non- Gas Cost revenue from such Gas Services provided to the prospective Customer(s) for a period of five and one-half (5.5) years is equivalent to or in excess of Company's estimate of the cost of providing such facilities, and;

2) the prospective patronage or demand is of such permanency as to warrant the capital expenditure involved.

C. If the cost of the facilities necessary to provide the Gas Service requested exceeds the without-charge limit; Company may require either a deposit or adequate provision of the payment of a deposit equal to the cost of the facilities extension in excess of the without-charge limit.

D. Any refundable extension deposit accepted by Company shall be subject to refund until the expiration of the six-year contract period. For each Customer connected to the extension, Company shall refund an amount by which five and one-half (5.5) times the estimated annual Non-Gas Cost Revenue for gas appliances actually installed exceeds the estimated cost of connecting such Customer. At no time shall the aggregate refund made to any depositor exceed the amount of extension deposit received from such depositor.

E. Upon request for Gas Service by a prospective Customer where, in Company's opinion, the facilities extension is of such length and the prospective revenue which may be developed by it is so meager as to make it doubtful whether the revenue from the extension would ever pay a fair return on the investment involved, or in the case of a real estate development with slight or no immediate demand for service, or in the case of Industrial installations requiring slight or irregular service and requiring extensive equipment, such facilities extension requests shall be submitted to the Commission for investigation and determination as to the convenience and necessity of such extension, and if so required, the conditions under which they shall be made.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

7. COMPANY'S SERVICES, METERS AND APPURTENANCES

A. Company shall locate the point to which the service connection will be made, and subject to other provisions of Company's Terms and Conditions, shall furnish, install and maintain all piping up to the inlet of the meter.

B. Customer shall provide, at no expense to Company, a suitable route for the service line and a place near the service entrance, acceptable to Company, for the meter or meters and any necessary appurtenant devices which may be provided by Company.

C. Customer shall allow Company the necessary easements or consents authorizing the installation and maintenance, on, over and through Customer's private property, of all piping, meters or allied equipment as may be necessary or convenient for providing Gas Service to Customer, either by Customer's agreement to abide by Company's Terms and Conditions, or execution of Company-Supplied forms for such specific easements.

D. All Gas Service provided by Company shall be measured by a meter or meters installed and maintained by Company in accordance with the Commission's Regulations.

E. Customer may be required to contribute to part or all of the costs of such facilities including applicable taxes.

8. CUSTOMER'S RESPONSIBILITY FOR COST OF FACILITIES MODIFICATIONS

If Customer either by request or by action requires that Company's facilities be redesigned, re-engineered, relocated, removed, modified, or reinstalled, Company may require Customer to make payment to it of the full cost of performing such facilities modifications including any applicable taxes.

9. COMPANY PROPERTY AND PROTECTION THEREOF

All meters and other equipment furnished by and at the expense of Company which may at any time be on or in Customer's Premises, shall, unless otherwise expressly provided, be and remain the property of Company, and Customer shall protect such property from loss or damage, and nobody except authorized agents of Company, shall be permitted to remove, change or adjust such property.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

10. CUSTOMER'S PIPING, APPLIANCES AND EQUIPMENT

A. Customer shall furnish, install and maintain all necessary piping beyond the outlet side of the meter and the appliances and equipment connected to such piping, in accordance with applicable state and local codes, regulations and/or requirements and in accordance with Company's Terms and Conditions.

B. It shall not be the duty of Company to inspect Customer's piping, appliances or equipment.

C. Company reserves the right to refuse to provide Gas Service when conditions are believed to be dangerous, hazardous, or otherwise unacceptable in the judgment of Company, although Company is under no duty to make such a judgment.

D. Except as authorized by Company, no Gas Service other than that being provided by Company shall be used on the same installation as is used for the service supplied by Company.

11. ACCESS TO CUSTOMER'S PREMISES

Authorized agents of Company shall have access to Customer's Premises at all reasonable times for the purpose of:

A. Turning on or shutting off, reading, inspecting, testing, repairing, or replacing the meter or meters or other equipment used in providing Gas Service and for removing the same upon the termination of the contract and/or discontinuance of Gas Service;

B. Determining the compliance of Customer with the applicable Rate Schedule and Appendices, contract with the Company, Company's Terms and Conditions, or the Commission's Regulations; and

C. Accessing Customer's gas appliances to re-light or turn off pilot lights.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

12. PREDICATION OF RATE SCHEDULES

A. Company's Rate Schedules are predicated upon one type of Gas Service being provided separately to Customer at a single Premises.

B. The combining through one meter of Gas Services under two or more Rate Schedules or to two or more Premises shall not be permitted.

13. CUSTOMER'S SELECTION OF RATE SCHEDULE

A. When more than one Rate Schedule is applicable to Customer, Customer shall select which Rate Schedule Customer desires, provided that each selection of Rate Schedule shall remain in effect for no less than a twelve-month period.

B. Company does not guarantee that Customer shall be served under the most favorable Rate Schedule at all times, and no refund shall be made for the difference in charges between the Rate Schedule under which Gas Service has been provided and another applicable Rate Schedule.

14. RESALE OF SERVICE

Gas Service shall not be provided to any Customer for resale in whole or in part, except to a public utility regulated by the Commission or for the express and limited purpose of providing NGV Service. However, Company is under no obligation to provide Gas Service for resale to another public utility.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

15. METERING

A. Certain charges for Gas Service provided to Customer shall be calculated based upon the measurement of the meter or meters installed by Company.

B. Whenever it is determined that an installed meter is not recording within the limits of accuracy as prescribed by the Commission's Regulations, a billing adjustment shall be made in accordance with the Commission's Regulations.

C. Meters shall be read monthly, or at other intervals as the circumstances may require, at the option of the Company.

D. For billing purposes, where gas is metered at low pressure (inches of water column), a cubic foot of gas shall be taken to be the amount of gas in a volume of one cubic foot under the conditions existing in Customer's meter as and where installed; provided, however Company may at its option install meters which will compensate for changes in temperature above or below 60° Fahrenheit.

E. For billing purposes, where gas is metered at higher pressure (psig), the volume of gas measured shall be corrected to correspond to a gas of standard conditions, free of water vapor, at a temperature of 60° Fahrenheit and an absolute pressure of 14.65 pounds per square inch.

F. When, for the convenience of Company, more than one meter is installed on one Premises for metering Gas Service to Customer under one Rate Schedule, the sum of the measurements of all such meters may be used to render one Bill.

G. When, for the convenience of Customer, more than one meter is installed on one Premises for metering Gas Service to Customer under one Rate Schedule, separate Bills may be rendered for each meter, at the applicable rates and charges.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

16. BILLING

A. Bills for Gas Service shall be rendered monthly. A billing month shall be as near to thirty days as is practicable, but may exceed that period as the circumstances may require.

B. In order to render monthly Bills, for good cause Company may estimate the monthly usage of gas of any Customer, with appropriate adjustments to be made by Company on the first Bill rendered following the reading of the meter. Good cause includes but is not limited to:
   1. request of Customer;
   2. inclement weather;
   3. labor or union disputes;
   4. inaccessibility of Customer's meter if Company has made a reasonable attempt to read the meter, but was unable to;
   5. non-monthly meter reading schedule or no meter read on final bill; and
   6. other circumstances beyond the reasonable control of the Company, its agents, and employees.

C. Any Customer who does not desire to receive an estimated Bill may read its meter and communicate the readings to the Company in an appropriate format that will be provided by Company.

D. The Company offers an optional alternative billing method for eligible Residential and Small Commercial Customers that averages the Customer's estimated bill over an extended period ("Budget Bill"). The Customer's normal monthly Budget Bill amount shall be based on a reasonably accurate estimation of future bills and shall be subject to no more than a single mid-cycle bill adjustment. Year-end Customer actual bill balances in excess of the normal monthly Budget Bill amount shall be rolled into the Customer's next year's normal monthly Budget Bill amounts.

17. PAYMENT OF BILLS

A. Bills must be paid through a Company authorized method of payment, including mail-in payments, bank drafts (ACH), approved pay sites, electronic check and credit card payments, and electronic funds transfer, as they may change from time to time.

B. If a Bill payment is not received by Company through an authorized method of payment on or before the gross payment date stated on the Bill, Customer shall be considered delinquent in payment and a late payment charge shall be levied.

C. The gross payment date shall be at least seventeen days after the Bill is mailed by Company. When such date falls on a Saturday, Sunday, and other legal holiday, or a day Company's office is not open for business, the gross payment date shall be the first business day thereafter.

D. Failure to receive a Bill shall not entitle Customer to pay the net Bill, if Customer fails to make payment on or before the gross payment date, nor shall it affect the right of Company to discontinue Gas Service for nonpayment of Bill as provided in the Commission's Regulations.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

18. DEPOSIT OR ARRANGEMENT TO ENSURE PAYMENT OF BILL

A. Company may require from a present or prospective Residential Customer a cash deposit when standards of creditworthiness, as set forth in the Commission's Regulations, are not satisfied. The amount of such deposit shall not exceed one-third of the expected annual billing for Gas Service to be furnished to Customer.

B. Company may require from a present or prospective Commercial or Industrial Customer a cash deposit equal to the sum of estimated billing amounts for Customer's two consecutive months of highest usage. Such deposits may be based on historical or expected usage.

C. In lieu of a cash deposit, Company may in its reasonable discretion require an alternative security arrangement (e.g., a prepayment which is intended to serve the same purpose as a cash deposit).

D. Interest will be paid, at an interest rate set annually by the Commission, on deposits held more than thirty (30) days, beginning with the date of deposit to the date the deposit is credited to Customer's account.

E. Deposits for Residential Customers will be credited to Customer's Bill after Customer has established a creditworthy payment record in accordance with standards set forth in the Commission's Regulations. At the request of Customer, the deposit shall be refunded to Customer in lieu of being credited to Customer's Bill.

F. The deposit of a Residential Customer who does not establish a creditworthy payment record may be retained by Company until Gas Service is discontinued.

G. The deposit of a Commercial or Industrial Customer may be retained by Company until Gas Service is discontinued.

H. The deposit, plus accrued interest, if any, may be applied to the final Bill when Gas Service is discontinued. After applying the deposit and interest to the final Bill, any credit balance shall be refunded to Customer. Credit balances less than $10.00 will not be refunded to Customer unless so requested by Customer.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

19. DISCONTINUANCE OF SERVICE AT CUSTOMER'S REQUEST

A. Whenever Customer desires to have Gas Service discontinued, the Customer shall notify Company at least three working days in advance of the day discontinuance is desired. Customer shall remain responsible for all Gas Service used and the billing rendered therefore, until Gas Service is discontinued pursuant to such notice.

B. When Customer has entered into a contract with Company to take Gas Service from Company and Customer orders discontinuance of Gas Service before the expiration dates as established in the contract, Customer shall be liable for the payment of all applicable charges for the months remaining in the un-expired period of the contract term. Customer's liability for those charges shall be in addition to any other rights, which Company may have with respect to the contract.

20. DISCONTINUANCE OF SERVICE WITHOUT NOTICE

Company can discontinue Gas Service to Customer without notice for any of the following reasons:

A. For emergency repairs; or
B. For lack of sufficient capacity or quantities of gas supply; or
C. To maintain normal operating pressures; or
D. If Company's regulators, meters, or other appurtenances or connections thereto have been tampered with and Company has reasonable grounds to believe that the affected Customer is responsible for such tampering; or
E. If fraudulent or unauthorized use of gas is detected and Company has reasonable grounds to believe the affected Customer is responsible for such use; or
F. If there exists in Customer's piping or in connection with Customer's gas-using equipment, any condition which, in Company's judgement, is dangerous or hazardous to life, physical safety or property; or
G. If there exists any other condition which, in Company's judgement, is dangerous or hazardous to life, physical safety or property; or
H. For any violation of Company's rules pursuant to Rule 28;
I. For any other lawful reason.

Such discontinuance shall not, however, invalidate any contract and Company shall have the right to enforce any contract, notwithstanding such discontinuance.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

21. LIMITATIONS OF LIABILITY

A. Neither Company nor Customer shall be liable to the other for any act, omission or event caused by strikes, acts of God, or unavoidable accidents or contingencies beyond its control.

B. Company shall not be liable for damages for any failure to supply gas or for an interruption, limitation, or curtailment of Gas Service, whether or not such disruption is ordered by a governmental agency having jurisdiction, if such failure, interruption, limitation, or curtailment is due to the inability of Company to obtain sufficient gas supplies at economical prices from its usual and regular sources or due to any other cause whatsoever other than willful default of Company.

C. Company shall not be liable for damages caused by defective piping or appliances on Customer's Premises.

D. Company shall not be liable for damages resulting to Customer or to third persons from the presence or use of gas or the presence of Company's equipment on Customer's Premises, unless due to the willful default or negligence on the part of Company.

22. NOTICE BY COMPANY

A. Notice by Company to Customer may be given by letter, statement or postcard deposited in the United States mail or private carrier with postage prepaid, or by facsimile, or email, or where written notice is not required, notice may be given by physical note or orally by any authorized agent of Company, either in person or by telephone.

B. The notice shall be considered given:
   1. When actually communicated in the case of oral notice; or
   2. When deposited in the United States mail or placed with private carrier when notice is given by letter, statement or postcard; or
   3. When sent when notice is given by facsimile; or
   4. When a physical note is left at Customer's Premises.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

23. GAS SERVICE TO MOBILE HOME PARKS

The obligation of Company to provide any extension of facilities shall be subject to the restrictions, limitations and curtailments of service made effective pursuant to other provisions of Company's Terms and Conditions. Subject to the foregoing, Company shall provide Gas Service to a Mobile Home Park ("Park") under the following conditions:

A. Permanency. The Park shall be of a definite permanent nature and have improved streets, individual water and sewer connections to each lot and each mobile home must rest on a concrete slab.

B. Size. The Park shall have at least ten or more sites on which mobile homes may be located.

C. Main Extensions. Main extensions shall be made in accordance with Rule 6 of Company's Rules, but for purposes of Rule 6, each Park Operator shall be considered to be the Customer. Revenue estimates shall be determined by Company based on its knowledge of gas usage of mobile homes, taking in account the number and nature of gas appliances to be used and any other reasonable factors. Each Park Operator shall enter into an extension of facilities contract for construction of gas mains, if the Park does not have enough existing mobile homes equipped with gas appliances to justify a gas main extension under Rule 6.

D. Easement. The Park Operator shall cause Company to be granted an easement in form and substance satisfactory to Company for the construction, maintenance and operation of Company's gas distribution system, together with the right of free access to read meters and repair or remove Company's services, regulators, meters and any other facilities installed by Company.

E. Extension and Metering. Company shall upon execution of an extension of facilities contract or work order showing economic feasibility and receipt of a proper easement, construct and maintain the required distribution system to serve the Park. Company shall extend service to each mobile home site to be supplied. The gas riser and the meter for each mobile home site shall be located in the rear one-third section of the site and not less than eighteen (18) inches from the roadside wall of the mobile home, unless a different location is deemed necessary by Company.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

F. Fuel Lines. The Park Operator or mobile home Customer shall furnish, install, and maintain all fuel lines beyond Company's meters to the point of connection with the mobile home piping. The fuel lines to individual mobile home sites shall be:

1. Adequately sized to provide minimum pressure drop, but in no case less than ¾" pipe,

2. Equipped with a terminal shutoff at a point adjacent to the mobile home, and

3. Connected to the mobile home piping with either a semi-rigid tube or all-metallic flexible connector that shall be looped to prevent strain caused by settling or movement of the mobile home.

G. Meter Protection. The Park Operator shall provide substantial protection satisfactory to Company for the gas riser and meter so as to minimize the likelihood of damage by moving of the mobile home.

H. Relocation of Facilities. The Park Operator shall keep the gas distribution system free and clear of any obstruction that will interfere with the maintenance of the system and shall not construct or maintain any structure over Company's distribution mains or services. When there is a change in the Park's operation or construction which, in the judgment of Company, makes the relocation of the gas facilities necessary, or if relocation is requested by the Park, Company will move such facilities at the Park's expense to a location acceptable to Company to be provided by the Park.

I. Rate Schedule. Gas Service will be supplied and metered separately to each single occupancy dwelling unit and/or such Park facility under the applicable Rate Schedule.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

24. CURTAILMENT PROCEDURES

When sufficient capacity or quantities of gas are not available to Company to meet existing and reasonably anticipated demands for Gas Service or to protect and replenish Company's underground gas storage reserves, which determinations shall be within Company's reasonable discretion, Company shall have the right to curtail Gas Service within any of its distribution systems so affected in accordance with the provisions of this Rule.

A. **Definitions**. For the purpose of this Rule, the following terms shall have the meanings defined below:

(1) **Firm Curtailment Customer**. A Firm Curtailment Customer shall mean any Customer whose Average Daily Throughput in any billing month during or subsequent to the Base Period exceeds 1,000 therms.

(2) **Average Daily Throughput**. The Average Daily Throughput for any Base Period billing month shall be the Firm Curtailment Customer's metered Throughput during such month divided by the number of days in the month.

(3) **Base Period**. The Base Period is any twelve consecutive billing months as established by Company.

(4) **Normal Monthly Throughput**. The Normal Monthly Throughput shall be the Firm Curtailment Customer's metered Throughput during each billing month of the Base Period. These quantities may be adjusted by Company for unusual circumstances.

(5) **Human Needs Customers**. Human Needs Customers shall include hospitals, medical centers, nursing homes, and other Customers as determined by Company, whose Curtailment could adversely affect public health or safety.

(6) **Gas Supply Curtailment**. Curtailment resulting from insufficient quantities of Company-supplied gas to meet the existing and reasonably anticipated demands of Company's Sales Customers, temporarily-supplied School Suppliers' Pool Customers, or to protect and replenish Company's gas storage reserves.

(7) **Capacity Curtailment**. Curtailment resulting from insufficient distribution system capacity to supply Gas Services to Company's Gas Service Customers.

(8) **Plant Protection Level** - The minimum quantity of Gas Service for Firm Curtailment Customers required by Customer to prevent endangering the health or safety of personnel, or to prevent extensive damage to Customer's facilities, equipment, or other property. This includes the protection of such material currently in process at the time a Curtailment is called which would otherwise be destroyed, but shall not include Gas Service required to maintain plant production.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

B. **Curtailment Sequences**. Company shall have the right to curtail Gas Service to its Customers according to the following sequences. Such Curtailment shall be effective as of the date and time specified in the notice to Customer. When necessary in the sole opinion of Company, Gas Service shall be maintained to Human Needs Customers or other Customers who would otherwise be curtailed, to the extent necessary and practicable under the circumstances.

B1. **Gas Supply Curtailment Sequence**.

(1) First, Rate 145, 160 and 170 Non-Pooling Transportation Customers and Pool Operators' and School Suppliers' Pools (under Rate Schedules 180 and 185) shall be subject to the Cold Weather OFO in Appendix E and Appendix J as applicable.

(2) Next, as determined by Company, all Firm Curtailment Customers' purchases of Company-supplied gas shall be limited to either:

(a) their respective Average Daily Throughput each day over any portion of the billing month, or
(b) their respective Normal Monthly Throughput.

(3) Next, as determined by Company, all Firm Curtailment Customers' purchases of Company-supplied gas shall be curtailed prorata, either:

(a) on a daily basis for any period specified by Company by application of a uniform percentage curtailment to their respective Average Daily Throughput, or
(b) on a billing month basis by application of a uniform percentage curtailment to their respective Normal Monthly Throughput.

At this point in the Curtailment sequence, Firm Curtailment Customers Purchasing Company-Supplied Gas shall not be curtailed to a daily quantity less than their respective Plant Protection Levels.

(4) Next, all Firm Curtailment Customers' purchases of Company-supplied gas shall be curtailed to a daily quantity equal to their respective Plant Protection Levels.

(5) Next, Rate 145, 160 and 170 Non-Pooling Transportation Customers transportation gas quantities on Company's system shall be limited to Customers' respective Plant Protection Levels, and the remainder of their delivered supply shall be diverted to use for Company Supply.

(6) In the event further Curtailment is required to maintain Gas Service, Company shall be entitled to curtail or interrupt Gas Service to any Customer.

(7) Compensation for the diversion of Customers' transportation gas quantities as provided for in Rules 24(B1)(5), for each Dekatherm of diverted gas each day will be in the amount of:

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

(a) The applicable Daily Midpoint Price per Dekatherm as reported in Gas Daily in the table "Daily Price Survey", for delivery to:
   1) Texas Gas, Zone SL, or
   2) Chicago City-Gates, plus
(b) the maximum interruptible transportation rate, including all applicable surcharges, for the applicable pipeline delivering the diverted gas to Company's system; plus
(c) The average premium paid by the Company (stated on a per dekatherm basis) to firm gas suppliers.

Such gas costs shall be recoverable by Company through the Gas Cost Adjustment.

B2. **Capacity Curtailment Sequence**.

(1) First, Rate 145, 160 and 170 Non-Pooling Transportation Customers and Pool Operators' and School Suppliers' Pools (under Rate Schedules 180 and 185) shall be subject to the Cold Weather OFO in Appendix E and Appendix J as applicable.

(2) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-supplied gas, as applicable, shall be limited to either:

   (a) their respective Average Daily Throughput each day over any portion of the billing month, or
   (b) their respective Normal Monthly Throughput.

(3) Next, as determined by Company, all Firm Curtailment Customers' transportation quantities or purchases of Company-supplied gas, as applicable, shall be curtailed prorata, either:

   (a) on a daily basis for any period specified by Company by application of a uniform percentage curtailment to their respective Daily Throughput, or
   (b) on a billing month basis by application of a uniform percentage curtailment to their respective Normal Monthly Throughput.

   At this point in the Curtailment sequence, a Firm Curtailment Customer shall not be curtailed to a daily quantity less than its Plant Protection Level.

(4) Next, all Firm Curtailment Customers shall be curtailed to their respective Plant Protection Levels.

(5) In the event further Curtailment is required to maintain Gas Service, Company shall be entitled to curtail or interrupt deliveries of Gas Service to any Customer.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

C. **Curtailment Notification**.

(1) Company shall give notification of Curtailment in the most effective manner possible and as much in advance as reasonably possible with regard to the existing circumstances and the number of Customers to be notified.

(2) If reasonably possible, Firm Curtailment Customers shall be given seven days advance notice of any Curtailment.

(3) In the event of Curtailment of Firm Curtailment Customers, Company shall provide notice to each Firm Curtailment Customer of its Normal Monthly Throughput and Average Daily Throughput.

D. **Lifting of Curtailment**. Any Curtailment shall be lifted in reverse order of the Curtailment Sequence.

E. **Unauthorized Gas Usage**.

(1) Assessment of Unauthorized Gas Usage Charge. When a Curtailment is in effect pursuant to the provisions of paragraph B of this Rule, gas usage by Customer in excess of the quantity permitted for such Customer shall constitute Unauthorized Gas Usage and shall be subject to the Unauthorized Gas Usage Charge set forth in Appendix C.

(2) During the Curtailment period, Customer shall have no entitlement to Unauthorized Gas Usage. In the event Customer continues Unauthorized Gas Usage, Company may, in its sole discretion, discontinue Gas Service to Customer. The assessment of the Unauthorized Gas Usage Charge and the exercise of the right to discontinue Gas Service by Company shall be in addition to any other rights Company may have with respect to Customer's Unauthorized Gas Usage.

25. RESTRICTIONS ON NEW AND ADDITIONAL GAS SERVICE

A. The Company reserves the right to:
(1) to restrict the extension of mains, the installation of service lines and/or the addition of new Customers for any class of service, and/or
(2) to restrict the annual, seasonal or monthly volume and/or maximum hourly take of said Customers in keeping with available gas supply and system capacity.

B. Company may exercise such restrictions within its reasonable discretion:
(1) To ensure the provision of safe, adequate and reliable service to existing Customers.
(2) On a temporary basis until Company is able to complete an engineering analysis; or
(3) For any other valid reason to protect system integrity.

GENERAL TERMS AND CONDITIONS APPLICABLE TO GAS SERVICE

26. SERVICE CONTRACTS

A. Customer may contract with Company to provide Contract service not specifically contained within this Tariff for Gas Service. Such contract services may include, but not limited to:
1. maintenance of Customer-Owned gas facilities,
2. installation of gas facilities on Customer's Premises, and
3. engineering/construction related services.

B. Customer and Company shall enter into a contract specifying the terms and conditions under which such contract services shall be provided.

C. The cost of providing such contract services shall be based on a methodology similar to that used by Company to establish costs of providing similar services under this Tariff for Gas Service, including applicable administrative and overhead charges.

D. The terms of payment for such contract services shall be mutually agreed to by Customer and Company. The payment of such services may appear as a separate item on Customer's bill for Gas Service.

E. Contracting for services under this Rule will in no way affect Customer's and Company's respective obligations regarding the rendering of and payment for Gas Service under this Tariff for Gas Service and the applicable Rate Schedule and Appendices.

27. FRAUDULENT USE OF GAS

When the Company detects fraudulent or unapproved use of gas, or the Company's regulation, measuring equipment or other service facilities have been tampered with, the Company may reasonably assume that the Customer or other user has benefited by such fraudulent or unapproved use of such tampering. The Customer or other user shall be responsible for payment of the reasonable cost of the Gas Service used during the periods such fraudulent or unapproved or tampering occurred or is reasonably assumed to have occurred and for the cost of field calls, investigation and the cost of effecting repairs necessitated by such use and/or tampering. The Company may assess a Fraudulent Gas Usage Charge as set forth in Appendix C per occurrence for such field calls and repairs. Under such circumstances the Company may, subject to any provision of Commission Rule 16 to the contrary, disconnect service without notice and the Company is not required to reconnect the service until a deposit and all the above enumerated charges are paid in full. All Statutory penalties shall be fixed by court of competent jurisdiction or by agreement between the Company and the Customer.

28. VIOLATION OF RULES

Company may discontinue Gas Service upon violation by any Customer of any of Company's rules or regulations of which these General Terms and Condition are a part, by giving seven days' written notice mailed to such Customer at his address shown upon the Company's records, advising the Customer in what particular such rule or regulation has been violated, but where fraudulent use of gas is detected or where the Company's regulation or measuring equipment has been tampered with or where a dangerous condition is found to exist on the Customer's Premises, Gas Service may be shut off without notice in advance. The Company shall not be liable for damage of any character caused by or resulting from a violation of these General Terms and Conditions.

AFFILIATE AND COST ALLOCATION GUIDELINES

AFFILIATE GUIDELINES

The OUCC and Indiana Gas Company, Inc. and/or Southern Indiana Gas and Electric Company ("Utility") (collectively "Parties") have negotiated in connection with Cause No. 41465 the following Affiliate Guidelines to govern the relationships between the Utility and its Affiliates. By agreement, the Guidelines have been modified in connection with Cause No. 37394GCA50S1 ("GCA50"). The Parties agree that these guidelines are intended to be enforced by the IURC, and they shall become effective upon their approval by the IURC. The OUCC and Utility may, through negotiation and agreement, jointly petition the IURC for modifications to these Affiliate Guidelines, in which case they would have the burden of proving any proposed change is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition. If either the OUCC or Utility desires changes to these Affiliate Guidelines and is unable to obtain agreement from the other party for such changes, then the party desiring changes may petition the IURC for the desired changes and bear the burden of proving that such changes are in the public interest. However, such petitions shall not be filed without first attempting to obtain the agreement of the other party. Subject to the following sentence, anyone else seeking a change to these Guidelines may also petition the IURC and would bear the burden of proving that the proposed changes are in the public interest. However, any such petition shall not be filed without the Utility and the OUCC first being notified and given a reasonable opportunity to consider the proposed change. The Commission may also make modifications to these Affiliate Guidelines on its own motion, after notice and hearing.

These Affiliate Guidelines should be read in conjunction with the "Cost Allocation Guidelines" developed by the OUCC and Utility and also approved by the Commission in Cause No. 41465. Subject through March 31, 2007 to the Settlement Agreement and ARP approved in GCA50 and Cause No. 42233, the Affiliate Guidelines and the Cost Allocation Guidelines govern all current and future affiliate relationships between the Utility and its Affiliates, with the limited exception that the Commission may approve an Affiliate contract that differs from these Guidelines if the Utility files a petition requesting an exception from the Guidelines and satisfies its burden to demonstrate that such contract is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition.

One purpose of these Affiliate Guidelines is to establish standards for procurement on competitive terms to govern the Utility's procurement of goods, services, assets, and other utility resources. Such procurement "on competitive terms" (as defined herein) shall be done with the objective of obtaining the best terms available for the Utility and its customers. The only exception to these procurement standards is the provision of "shared corporate support and administrative services" such as corporate treasury services and human resources. These services may be shared with other companies/affiliates with the Vectren organization. The pricing of those services to the Utility shall be based on cost and be in accordance with the Cost Allocation Guidelines. See the definitions section below for a complete definition of "shared corporate support and administrative services".

AFFILIATE AND COST ALLOCATION GUIDELINES

DEFINITIONS

The definitions below apply to terms used in the Affiliate Guidelines and the Cost Allocation Guidelines.

"Affiliate" "Affiliate" means a person that is an affiliated interest for purposes of I.C. 8-1-2-49 or that is otherwise found to be an "Affiliate" by the Commission or otherwise is an "Affiliate" under Indiana Law.

"Person" "Person" includes the following: (a) individual, (b) corporation, regardless of type or state or country of incorporation, (c) unincorporated association, (d) company, whether limited liability or otherwise, and (e) business trust, estate, partnership, trust, two (2) or more persons having a joint or common economic interest, and any other entity.

"Commission" "Commission" means the Indiana Utility Regulatory Commission.

"IURC" "IURC" means the Indiana Utility Regulatory Commission

"OUCC" "OUCC" means the Indiana Office of Utility Consumer Counselor.

"Holding Company" "Holding Company" means the parent company, Vectren Corporation, or its successor in interest of Indiana Gas Company and/or Southern Indiana Gas and Electric Company.

"Competitive Terms" "Competitive Terms" means the best terms reasonably available in the competitive marketplace at that time (including the terms available from the Utility itself under efficient operation) giving due consideration to both price and non-price terms such as quality and reliability. If the Utility itself can provide the services at the lowest cost with comparable quality and reliability, then that cost shall be considered the "competitive terms."

"Shared Corporate Support and Administrative Services" – Shared Corporate Support and Administrative Services" means the following types of functions/services that the Utility may share with other companies/affiliates within the Vectren organization: (1) accounting and corporate treasury services; (2) human resources; (3) information technology and communications services; (4) corporate directors and officers services; (5) legal services; (6) insurance and claims; (7) billing; (8) customer call center services; (9) facility and fleet management; and (10) environmental services. (See Specific Affiliate Guidelines Section 2, Items J, L and O related to "Shared Corporate Support and Administrative Services.")

"Capital Costs" "Capital Costs" means the costs associated with obtaining the financial capital required to provide physical assets such as office buildings, computers or office equipment.

"Non-Regulated" "Non-Regulated" means not regulated by the Indiana Utility Regulatory Commission (IURC). "Non-Regulated" also applies to products or services over which the IURC has declined its jurisdiction.

"Similarly Situated" "Similarly Situated" means having general characteristics in common such as belonging to the same rate class or operating in the same or similar industries. A utility affiliated gas or power marketer would, for example, be considered similarly situated to other non-affiliated gas or power marketers.

AFFILIATE AND COST ALLOCATION GUIDELINES

GENERAL AFFILIATE GUIDELINES

A. No Cross-Subsidies. The Utility shall not subsidize Affiliates or non-regulated activities.

B. Separation of Regulated and Non-Regulated Operations. The separation of the Utility's regulated operations from the Holding Company's non-regulated business operations and Affiliates is necessary to prevent potential cross-subsidies. To the maximum extent practicable, the Utility shall separate its regulated operations from its own, its Affiliates and its Holding Company's non-regulated operations. Instances where such separation does not exist must otherwise be in compliance with the Affiliate Guidelines and the Cost Allocation Guidelines.

C. No Discrimination. The Utility shall not discriminate in favor of or otherwise give preferential treatment to its Affiliates, its Affiliates' customers or the Utility's own non-regulated activities.

D. Comparability of Service. The Utility shall provide comparable service to all similarly situated marketers, customers or other entities, regardless of affiliation.

E. Procurement on Competitive Terms. With the exception of "shared corporate support and administrative services" (defined above) the procurement of goods, services, assets and other resources by the Utility shall be on competitive terms, consistent with the public interest and in compliance with these Affiliate Guidelines and the Cost Allocation Guidelines. The Utility may procure services from an Affiliate but such procurement must be done on competitive terms (defined above). The Utility's procurement process shall also comply with General Guideline C above (i.e., No Discrimination). The pricing of "shared corporate support and administrative services" to the Utility shall be based on cost and be in accordance with the Cost Allocation Guidelines.

AFFILIATE AND COST ALLOCATION GUIDELINES

SPECIFIC AFFILIATE GUIDELINES

1. Affiliates shall be charged for all costs incurred on their behalf. These costs shall be appropriately and reasonably allocated and shall include, but not be limited to, those associated with shared facilities, general and administrative support services and other corporate overheads.

2. The Utility shall process all similar requests for service in the same manner and within the same reasonable time period for all similarly situated customers, marketers and other entities, regardless of affiliation.

3. The Utility shall not give preference to or discriminate in favor of its Affiliates, its Affiliates customers or its own non-regulated activities in matters including, but not limited to, the allocation, assignment, release, or transfer of rights to intrastate or interstate capacity, use of Utility distribution facilities, storage on system, rights to storage off system or in the sale of gas.

4. The Utility shall not condition or tie any agreement to provide Utility service to any agreement relating to a service to be provided by an Affiliate.

5. To the maximum extent practicable, Utility employees shall function separately and independently from employees of Affiliates and those engaged in non-regulated activities including, but not limited to, gas marketers, power marketers and other service providers.

6. The Utility may not, through tariff or otherwise, give any Affiliate or an Affiliate's customer or any non-regulated activity a preference or an advantage with respect to the transportation of gas including, but not limited to, the movement or delivery of gas on its distribution system, the administration of customer contracts, scheduling, nomination, balancing, metering, storage, standby service, curtailment policy, or billing/invoice disputes.

7. The Utility shall apply tariffs and their provisions and all other aspects of Utility service on a consistent and non-discriminatory basis to all similarly situated marketers, customers, and other entities regardless of affiliation.

8. Any discount or rebate for Utility service offered by the Utility to an Affiliate or an Affiliate's customer shall be offered on a non-discriminatory basis to all similarly situated marketers, customers, or other entities, regardless of affiliations. If the Utility waives a penalty or fee related to Utility service for an Affiliate or an Affiliates customer, it shall waive such penalty or fee for similarly others on a non-discriminatory basis.

AFFILIATE AND COST ALLOCATION GUIDELINES

9. The Utility shall not give preference to or discriminate in favor of its Affiliate or its Affiliate's customers in its provision of information. This includes, without limitation, information related to the sale or marketing of energy or energy services to existing or potential new customers and information related to the availability of transmission, distribution or storage capacity. Specific customer information shall be made available to affiliated or unaffiliated entities only upon consent of the customer or as otherwise provided by law or commission rules or orders, except that customer name and address information may be provided to energy marketers or energy service providers.

10. The Utility may share information technology and communications services with other companies/affiliates within the Vectren organization. However, such sharing of information technology and communications services shall not be done in a manner that violates Specific Guideline 9 above regarding the non-discriminatory provision of information. The Utility shall take whatever steps are necessary to fulfill this requirement such as, for example, the implementation of electronic "firewalls" or other measures to control access to Utility information.

11. The Utility shall not speak on behalf of its Affiliates or give the appearance that is speaks on behalf of its Affiliates. The Utility Affiliates shall not speak on behalf of the Utility or give the appearance that they speak on behalf of the Utility.

12. Customer call handling shall be performed on a non-discriminatory basis without respect to affiliations of the customer or affiliations of the customer's marketer or energy service provider. If a customer requests information about alternative sources of supply, the customer service representatives shall offer to provide a list of all alternative suppliers known to be serving customers in the same rate class as the customer making the inquiry, except those suppliers excluded by mutual agreement of the Utility and the OUCC. Such a list may include Utility Affiliates, but the Utility customer service representatives shall not promote or endorse services offered by an affiliate. To ensure compliance with Specific Guidelines 9,10, 11 and 12, the guidelines for handling of customer calls and information have been set out in writing and attached as Appendix A-1.

13. The Utility's Affiliates shall not trade upon, promote, or suggest that they receive preferential treatment as a result of affiliation with the Utility.

14. The Utility and its Affiliates shall not participate in joint advertising. An Affiliate may, however, reference the fact of its affiliation with the holding company. Such public references shall not: (a) make the Affiliate appear to be part of the Utility, or (b) suggest that the Affiliate or the Affiliate's customers will have any advantage as a result of the affiliation.

15. If the charges for Utility services are combined with charges for non-regulated energy services into a single bill, such a combined bill format will be made available on a non-discriminatory basis to non-affiliated entities that provide energy services in the Utility's service territory.

16. The Utility and its Affiliates shall maintain separate books and records, which shall be available for Commission inspection consistent with Indiana law.

AFFILIATE AND COST ALLOCATION GUIDELINES

17. The OUCC and its agents shall have access to officers and employees and access to the books and records of the Utility and its Affiliates as reasonably necessary to ensure compliance with these Affiliate Guidelines, the Cost Allocation Guidelines and Title 8 of the Indiana Code. If disputes arise between the OUCC and Utility regarding the reasonableness of the timing or scope of requested access to Affiliate and Utility books and records, if not resolved by the parties, then such disputes may be presented to the Commission through use of an alternative dispute resolution process as agreed upon by the OUCC and Utility. During this process, Utility shall bear the burden of demonstrating the unreasonableness of the OUCC's request. In seeking a resolution of access disputes, the parties agree that time is of the essence, and the intent of the parties is that the Commission's review of such disputes will be facilitated by the parties so that the review can be as expeditious as possible.

18. All complaints relating to these Affiliate Guidelines and the Cost Allocation Guidelines, whether written or verbal, shall be submitted to the general counsel of the Utility or the Utility's highest-ranking legal employee ("general counsel"). The general counsel shall acknowledge to complainant such complaint within five (5) working days of receipt. The general counsel shall conduct a preliminary investigation and prepare a written statement of the complaint which shall contain the name of the complainant and a detailed factual report of the incident or incidents, underlying the complaint, including all relevant dates, companies involved, employees involved and the specific claim. The general counsel shall communicate the results of the preliminary investigation to the complainant in writing within twenty (20) days after the complaint was received including a description of any course of action to be taken. In the event the Utility and the complainant are unable to resolve the complaint, the complainant may file a complaint with the Commission. Any complaint filed with the Commission before it was filed with the Utility under this section shall be held in abeyance while the procedures outlined here are followed. The general counsel shall keep a log of all complaints for a period of not less than three (3) years and shall keep such a log available for inspection by the IURC, OUCC and complainant.

19. All transactions between the Utility and its Affiliates shall be in accordance with a written contract filed with the IURC pursuant to I.C. 8-1-2-49. The Utility shall maintain sufficient records of all such transactions for at least three (3) years so as to allow for a complete and thorough audit.

20. The Utility shall meet with the OUCC to review all proposed Affiliate contracts. Upon filing of Affiliate contracts with the IURC, copies of such contracts will be delivered to the OUCC. Affiliate contracts shall be governed by Indiana law and these Affiliate Guidelines and the Cost Allocation Guidelines. To the extent the Guidelines contain provisions or commitments that go beyond what would otherwise be required under Indiana law, the Guidelines shall control. The OUCC reserves its rights to challenge such contracts at any time.

AFFILIATE AND COST ALLOCATION GUIDELINES

PROCEDURES FOR FILING AFFILIATE CONTRACTS

All Affiliate contracts shall be filed with the IURC and be in conformance with these Guidelines, the Cost Allocation Guidelines and Indiana Law. Such contracts shall be available for public inspection, except to the extent that information is protected from public disclosure under Indiana law. These Affiliate Guidelines in no way affect the IURC's duties and/or authority under Indiana law to inter alia investigate such contracts, hold public hearings related to such contracts and/or disapprove such contracts. These Affiliate Guidelines also in no way affect the OUCC's right to inter alia initiate investigations of such contracts.

ANNUAL INFORMATIONAL FILING

The Utility shall file annually with the Commission and provide copies to the OUCC the following information concerning the Utility's Affiliates and its non-regulated activities.

1. The names and business addresses of the officers and directors of each Affiliate that has transacted any business with the Utility during the previous twelve (12) months. For each such Affiliate, the Utility shall also provide the following in its annual informational filing:

    a. The Affiliate's name and a description of the Affiliate's primary line(s) of business and a description of the nature of the Affiliate's business with other non-affiliated entities.

    b. A schedule detailing and summarizing the nature and the dollar amounts of the transfers of assets, goods and services between the Utility and the Affiliate that took place during the applicable twelve-month period.

2. A listing of all contracts currently in effect between the Utility and the Affiliate indicating the nature of the transactions, the date the contract became effective and the contract's expiration date.

3. A corporate organization chart, which shows the parent holding company, the Utility, its Affiliates, and their relationships to one another.

4. A description of the methods used to identify, value, and record transfers of assets, goods and services between the Utility and its Affiliates.

5. A description of the methods used to allocate federal and state income tax expense, payments and refunds to the Utility and its Affiliates.

6. A description of sharing of personnel between the Utility and its Affiliates during the twelve-month period.

7. A log of complaints maintained by the Utility under section 18 of Specific Affiliate Guidelines.

8. A listing and descriptions of all non-regulated activities engaged in by the Utility, including the amount of revenues and expenses generated by each such non-regulated activity.

    These annual informational filings shall commence on the date thirty (30) days after the effective date of the Commission's approval of these Affiliate Guidelines, and shall repeat thereafter at the end of the Utility's fiscal year. These annual informational filings shall not serve or be interpreted as a pre-approval process.

AFFILIATE AND COST ALLOCATION GUIDELINES

COST ALLOCATION GUIDELINES

The OUCC and Indiana Gas Company, Inc. ("Utility") (collectively "Parties") have negotiated in connection with Cause No. 41465 the following Cost Allocation Guidelines to govern the allocation of costs between the Utility and its Affiliates. The OUCC retains all of its rights and authority to dispute the reasonableness of and/or recovery of all Utility costs, including those to which these Cost Allocation Guidelines may be applicable. Mere allocation of costs under these guidelines does not predetermine the reasonableness of rate recovery of such costs. The Parties agree that these guidelines are intended to be enforced by the IURC, and they shall become effective upon their approval by the IURC. The OUCC and Utility may through negotiation and agreement, jointly petition the IURC for modifications to these Cost Allocation Guidelines, in which case they would have the burden of proving any proposed change is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition If either the OUCC or Utility desires changes to these Cost Allocation Guidelines and is unable to obtain agreement from other party for such changes, then the party desiring changes may petition the IURC for the desired changes and bear the burden of proving that such changes are in the public interest. However, such petitions shall not be filed without first attempting to obtain the agreement of the other party. Subject to the following sentence, anyone else seeking a change to these Cost Allocation Guidelines may also petition the IURC and would bear the burden of proving that the proposed changes are in the public interest. However, any such petition shall not be filled without the Utility and the OUCC first being notified and given a reasonable opportunity to consider the proposed change. The Commission may also make modifications to these Cost Allocation Guidelines on its own motion, after notice and hearing.

These Cost Allocation Guidelines should be read in conjunction with the "Affiliate Guidelines" developed by the OUCC and Utility and also approved by the Commission in Cause No. 41465. Subject to Section H of the Settlement Agreement in Cause No. 41465, the Affiliate Guidelines and the Cost Allocation Guidelines govern all current and future affiliate relationships between the Utility and its Affiliates with the limited exception that the Commission may approve an Affiliate contract that differs from these Guidelines if the Utility files a petition requesting an exception from the Guidelines and satisfies its burden to demonstrate that such contract is in the public interest considering all relevant factors, including, but not limited to, price of service and the impact on competition.

The following Cost Allocation Guidelines govern the allocation of costs associated with "shared corporate support and administrative services" which have been defined in the Definition section of the Affiliate Guidelines and which may be shared with other companies/affiliates within the Vectren organization. By their nature, these costs are associated with functions and operations that are shared and not separate. The allocation methods should apply to those Utility Affiliates who share corporate support and administrative functions in order to prevent subsidization from the regulated Utility and ensure equitable cost sharing among the regulated Utility and its Affiliates. The pricing of "shared corporate support and administrative services" to the Utility shall be based on cost and be in accordance with these Cost Allocation Guidelines.

AFFILIATE AND COST ALLOCATION GUIDELINES

DEFINITIONS

See the definitions section of the Affiliate Guidelines for the definitions of terms used in the Affiliate Guidelines.

GUIDELINES

1. No Cross-Subsidies. The Utility shall not subsidize Affiliates or non-regulated activities.

2. The Utility shall maintain and utilize an accounting system and records that identify and appropriately allocate costs between the Utility and its Affiliates.

3. The Utility's costs for jurisdictional rate purposes shall reflect only those costs attributable to its jurisdictional customers.

4. The Utility and all Affiliates that share corporate support and administrative services shall maintain documentation including organizational charts, accounting bulletins, procedure and work order manuals or other related documents, which describe how costs are allocated between regulated and non-regulated services or products.

5. Affiliates shall be charged an appropriate and reasonable allocation of all shared corporate support and administrative costs incurred on their behalf. These costs include, but are not limited to, those associated with shared facilities and other corporate overheads.

6. To the maximum extent practicable, shared corporate support and administrative costs should be accumulated and classified on a direct cost basis for each asset, service or product provided.

7. The shared corporate support and administrative costs that cannot be directly assigned per item (6) above, should to the maximum extent possible be allocated to the Utility and its Affiliates and to the service or products to which they relate using relevant allocators which best reflect or consider the cost causative characteristics of the product/service being provided.

8. Where allocation/assignment pursuant to (6) and (7) is not practical, general allocation factors shall be utilized to allocate all remaining costs between the Utility and its Affiliates and between service and product lines ultimately provided by the Utility and its Affiliates.

9. The allocation of capital costs between the Utility and its Affiliates (incurred in the provision of "shared corporate support administrative" services) shall be based on the following:

    a. The cost of capital used for such allocations shall equal the Utility's weighted average cost of capital as last found by the Commission.

    b. Depreciation shall be charged on a straight-line basis. Depreciation rates used for

AFFILIATE AND COST ALLOCATION GUIDELINES

such allocations shall be consistent with the accepted useful life of the asset(s) and in accordance with generally accepted accounting principles and regulatory accounting requirements, as applicable.

10. The Utility and its Affiliates shall maintain separate books and records, which shall be available for Commission inspection consistent with Indiana law.

11. The OUCC and its agents shall have access to officers and employees and access to the books and records of the Utility and its Affiliates as is reasonably necessary to ensure compliance with the Affiliate Guidelines, the Cost Allocation Guidelines and Title 8 of the Indiana Code. If disputes arise regarding the reasonableness of the timing or scope of requested access to Affiliate and Utility books and records, if not resolved by the parties, then such disputes may be presented to the Commission through use of an alternative dispute resolution process as agreed upon by the OUCC and Utility. During this process, Utility shall bear the burden of demonstrating the unreasonableness of the OUCC's request. In seeking a resolution of access disputes, the parties agree that time is of the essence, and the intent of the parties is that the Commission's review of such disputes will be facilitated by the parties so that the review can be as expeditious as possible.

12. The cost assignment/allocation methodologies discussed herein are applicable to shared corporate support and administrative services. The Utility's procurement of all other goods, services, assets, and other resources shall be on competitive terms, consistent with the public interest and in compliance with the Affiliate Guidelines and the Cost Allocation Guidelines.

AUDIT REQUIREMENTS

Each year an independent auditor appointed by the OUCC shall do an audit. OUCC staff members may assist the auditor. The purpose of the audit shall be to ensure that the Utility complies with these Cost Allocation Guidelines. Any violations of the Cost Allocation Guidelines shall be noted and explained in the auditor's report, a copy of which shall be provided to the Utility, the Commission and the OUCC. Vectren shall annually contribute up to $50,000 toward the auditor's costs/fees.

AFFILIATE AND COST ALLOCATION GUIDELINES

Customer Call Handling Process

Outline of Customer Call Handling Guidelines and infrastructure

In order to provide for the operation of an efficient, high quality call center operation that handles customer calls and information in a manner consistent with the terms of the Affiliate and Cost Allocation Guidelines, this outline has been developed. The intent is to describe the guidelines for customer call handling and the requirements for separation between the staff handling calls about regulated services and staff handling calls about non-regulated services. The key components include:

- Staffing — A separate non-regulated service call handling staff including a separate exempt supervisory leader is required.
- Separation — Personnel devoted to handling calls related to regulated utility service will be physically separated from personnel handling non-regulated service calls through, at a minimum, the use of high height partitions and panels.
- Data — A data firewall will be created to require customer permission before non-utility related staff can access utility customer records. Acquisition of utility customer usage and billing history data will be with customer permission and consistent with Specific Affiliate Guidelines 9 and 10.
- Costs — Call center costs will be allocated per the Cost Allocation Guidelines. Any charges made to providers of non-regulated services will be reasonable and non-discriminatory.
- Process — Attached are summary call handling flowcharts and a script which have been developed to more specifically describe the process to be used in the event that the utility offers an energy choice program to its residential and small commercial customers in the future.
- Monitoring — The IURC and OUCC will be able to monitor compliance with the Guidelines through the provisions of access to customer calls. The IURC and OUCC (or their agents) will also be able to make on site visits and inspections of call center facilities.

AFFILIATE AND COST ALLOCATION GUIDELINES

Call Handling Script -- For Inquiries Regarding Non-Regulated Energy Services

Mr./Ms. Customer,

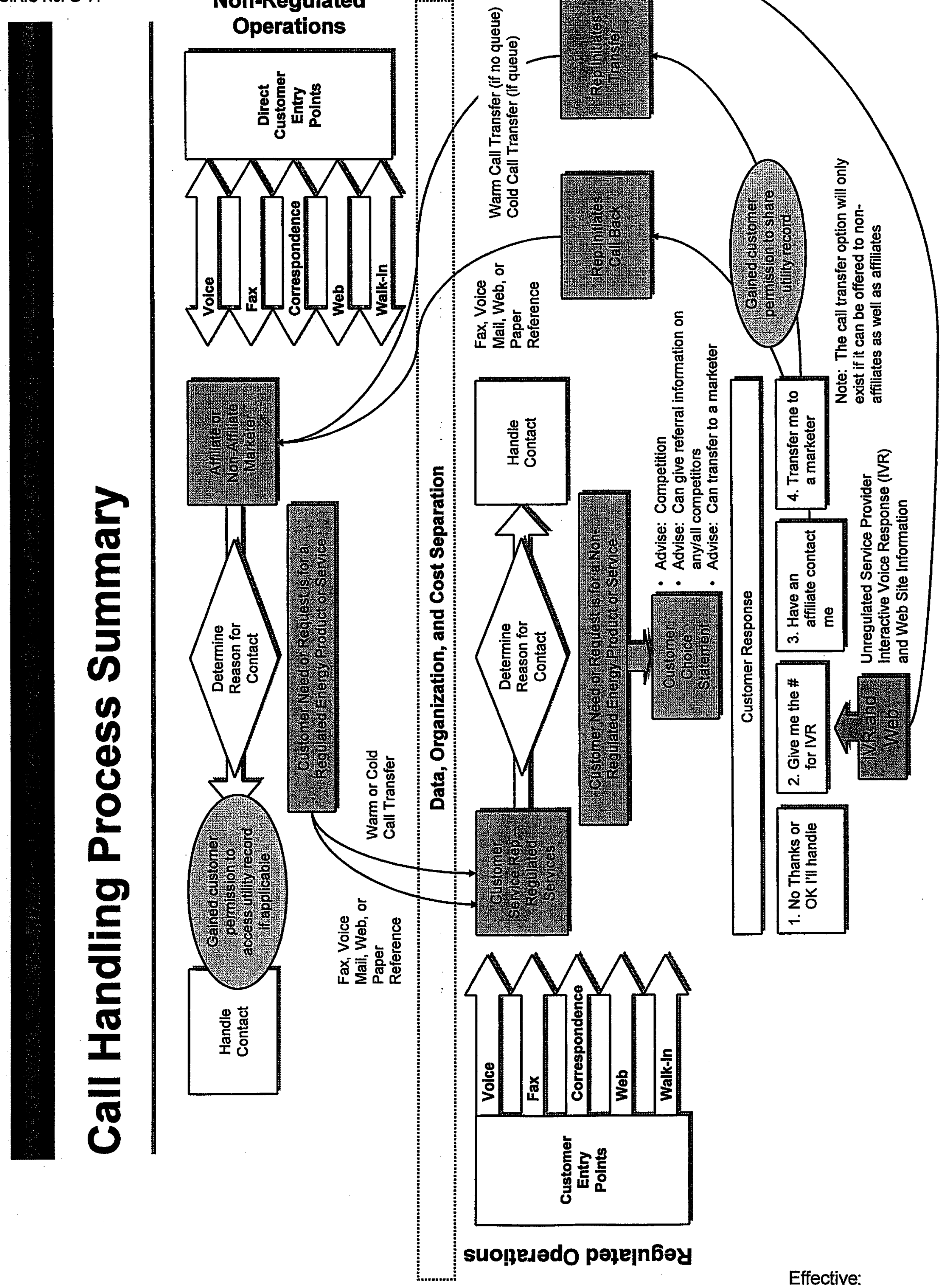
I am very sorry, but I can't directly handle this for you, but I can get you in touch with somebody who can.

I can give you a telephone number from which you can get more information about the providers of these services, including our affiliate ________. This telephone number is: *(give telephone number).* If you have access to the web you can get this information on the web site. The web site address is: *(give web address).*

[If you prefer, I can transfer your call now to one of these service providers. *(see note)*

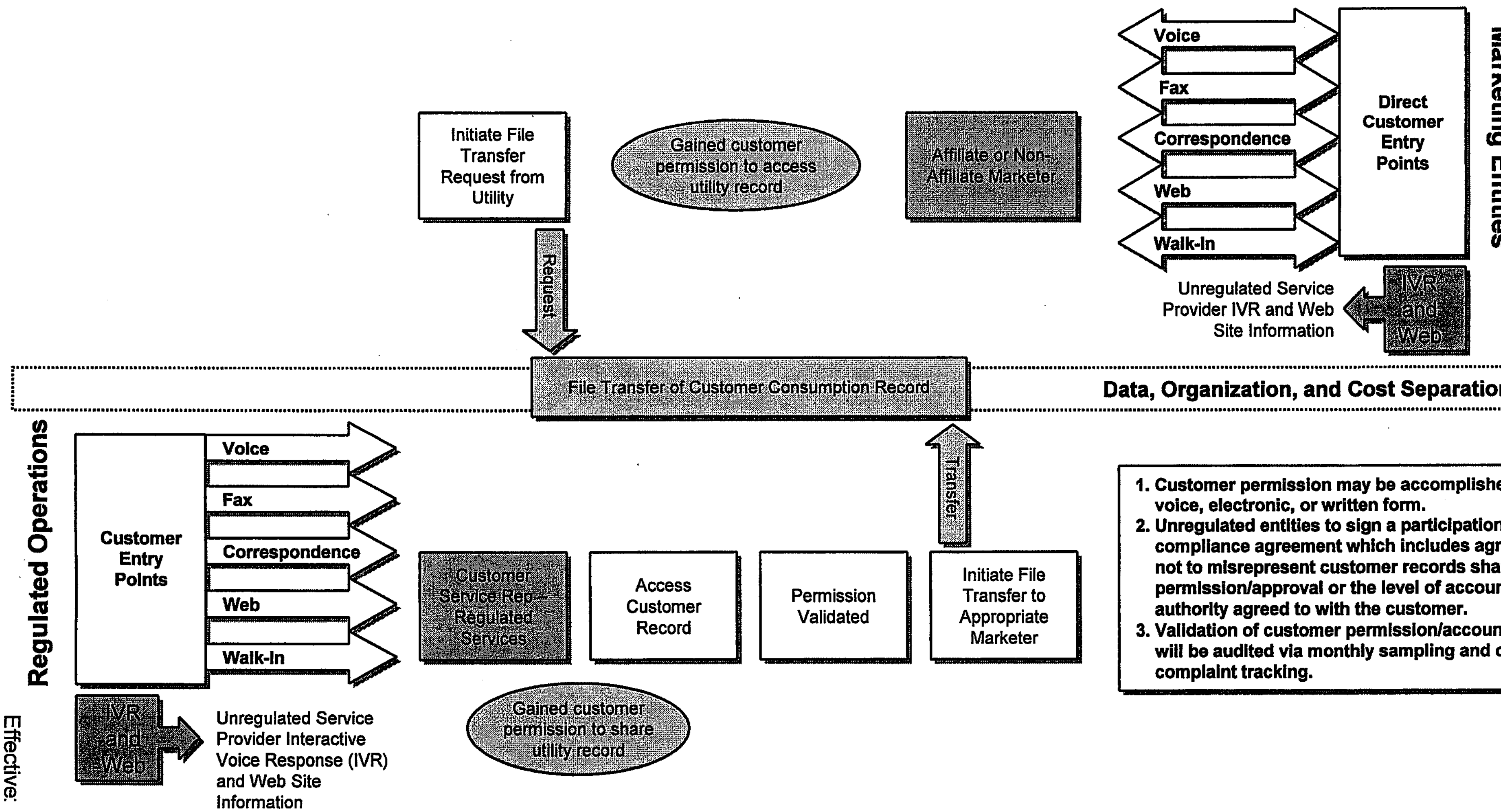
By the way, the providers may want to review your customer records. Do we have your consent to release this information at their request?

Note: The paragraph references call transfers and will only be part of the script if Vectren can offer the call transferring.


Call Handling Process Summary
Non-Regulated Operations
Direct Customer Entry Points
Voice
Fax
Correspondence
Web
Walk-In
Affiliate or Non-Affiliate Marketer
Determine Reason for Contact
Gained customer permission to access utility record if applicable
Handle Contact
Customer Need or Request is for a Regulated Energy Product or Service
Fax, Voice Mail, Web, or Paper Reference
Warm or Cold Call Transfer
Data, Organization, and Cost Separation
Warm Call Transfer (if no queue)
Cold Call Transfer (if queue)
Fax, Voice Mail, Web, or Paper Reference
Handle Contact
Determine Reason for Contact
Customer Service Rep – Regulated Services
Customer Need or Request is for a Non-Regulated Energy Product or Service
Customer Choice Statement
Advise: Competition
Advise: Can give referral information on any/all competitors
Advise: Can transfer to a marketer
Rep Initiates Call Back
Rep Initiates Transfer
Gained customer permission to share utility record
Customer Response
1. No Thanks or OK I'll handle
2. Give me the # for IVR
3. Have an affiliate contact me
4. Transfer me to a marketer
Note: The call transfer option will only exist if it can be offered to non-affiliates as well as affiliates
Unregulated Service Provider Interactive Voice Response (IVR) and Web Site Information
IVR and Web
Customer Entry Points
Voice
Fax
Correspondence
Web
Walk-In
Regulated Operations

Effective:

Customer Permission and Information Transfer Summary



1. **Customer permission may be accomplished via voice, electronic, or written form.**
2. **Unregulated entities to sign a participation compliance agreement which includes agreement not to misrepresent customer records sharing permission/approval or the level of account authority agreed to with the customer.**
3. **Validation of customer permission/account authority will be audited via monthly sampling and customer complaint tracking.**

Effective:

SOUTHERN INDIANA GAS AND ELECTRIC COMPANY
d/b/a VECTREN ENERGY DELIVERY OF INDIANA, INC.
(VECTREN SOUTH-GAS)

IURC CAUSE NO. 43112

SUPPLEMENTAL DIRECT TESTIMONY
OF
M. SUSAN HARDWICK
VICE PRESIDENT, CONTROLLER AND ASSISTANT TREASURER

ON

ACCOUNTING FOR DISTRIBUTION REPLACEMENT ADJUSTMENT

SPONSORING PETITIONER'S EXHIBITS MSH-1 SUPPLEMENTAL

Supplemental Direct Testimony of M. Susan Hardwick

Q. Please state your name and business address.

A. My name is M. Susan Hardwick. My business address is One Vectren Square, Evansville, Indiana 47708.

Q. Are you the same M. Susan Hardwick that provided direct testimony in this proceeding on the subject of Revenue Requirement?

A. Yes, I am.

Q. What is the purpose of your supplemental testimony in this case?

A. The purpose of my supplemental testimony is to describe the accounting procedures that will be in place to support the Distribution Replacement Adjustment ("DRA") discussed by Vectren South-Gas Witness Scott E. Albertson. I also will describe the pro forma filing schedules to be included in the annual DRA filings which calculate the Revenue Requirement to be recovered through the DRA.

Q. Please describe the proposed DRA and the specific accounting to be in place to accomplish the proposed mechanism.

A. As described by Vectren South-Gas Witness Albertson, Vectren South-Gas is proposing certain regulatory treatment associated with the accelerated replacement of cast iron mains and bare steel mains and service lines (the "Program"). Vectren South-Gas Witness Francis describes the Program in great detail from an operational perspective. I will explain the process that will be used by Vectren South-Gas to accurately segregate and record the construction costs, depreciation and maintenance expense savings of the Program. I will discuss Vectren South-Gas' intentions with respect to accruing allowance for funds used during construction ("AFUDC") on construction work in progress relating to the Programs and from their in-service dates to the time the Programs are included in the proposed DRA.

Q. Please explain the work order process that will be used by Vectren South-Gas to segregate and record the capital costs of the Programs while they are under construction ("Program construction costs").

A. To ensure proper accumulation and segregation of Program construction costs, a project number will be assigned to the capital work order(s). All Program construction costs as incurred will be recorded to the assigned project number. All Program construction costs will be maintained in the Company's Financial Information System ("FIS") Programs Accounting ("PA") module. The aforementioned project number will be required for the recording of all Program construction costs into any of the FIS feeder systems. Each of the feeder systems, which include payroll, accounts payable, and material inventory, interface with the PA module. Total incurred Program construction costs can be accurately viewed and/or reported by the project number at any time as the Programs progress.

Q. What types of costs will Vectren South-Gas include as the value of the property under construction for purposes of the DRA?

A. The proposed DRA will include the construction costs of the Program, including engineering and Program management, permitting, consulting services, site preparation, equipment and installation, AFUDC, an allocation of administrative overhead, and other costs approved by the Commission.

Q. How will the maintenance expense savings associated with the Program after they are in-service be calculated and recorded?

A. As described by Vectren South-Gas Witness Albertson, the maintenance expense savings will be calculated based on a predefined formula using the estimated annual maintenance savings per mile of main to be replaced as described by Vectren South-Gas Witness Francis and the miles of main, or segments of the Program, actually replaced and put in service. The actual calculations will be available for inspection by the staff of the Commission and the Office of Utility Consumer Counselor ("OUCC") in connection with Vectren South-Gas' DRA filings.

Q. Will AFUDC be recorded as a cost of the Program?

A. Yes, in accordance with appropriate regulatory rules and at the rates used for all other Vectren South-Gas construction projects. An example of the derivation of AFUDC rates is shown on Petitioner's Exhibit No. SEA-9, page 10.

Q. When will Vectren South-Gas discontinue recording AFUDC on the Program construction costs?

A. Vectren South-Gas will cease the accrual of AFUDC on the components of the Program as they are incorporated into the proposed DRA or in base rates.

Q. What is Vectren South-Gas proposing in this proceeding with respect to the continuation of AFUDC after the in-service date of the Programs?

A. Vectren South-Gas proposes to continue the accrual of AFUDC after the respective in-service dates of segments of the Program, until it is reflected in the DRA or in base rates. Due to the twelve month interval between DRA petitions, continuation of AFUDC is necessary in the event a segment of the Program is completed and put into service prior to being reflected in the next scheduled DRA filing. However, post-in-service AFUDC would only be recorded on the increment of construction costs not previously incorporated into the DRA.

Q. Over what period does Vectren South-Gas propose the Programs be depreciated?

A. Vectren South-Gas proposes to use depreciation rates and procedures in accruing depreciation on the mains and service lines that are consistent with depreciable lives assigned to its other distribution mains and service lines, of 30 and 26 years, respectively. Vectren South-Gas also proposes a negative net salvage component equivalent to 20% to be included in the depreciation rate assigned to mains and 41% to services. These rates represent the negative net salvage component of the depreciation rates for these plant accounts as approved in Vectren South's last rate case. The effect of a 30 (26 for service lines) year life and a 20% (41% for service lines) negative net salvage component would be an annual depreciation accrual rate for mains of 2.71% and

3.49% for service lines, or an effective depreciable life of about 29 years for both. These are the depreciation rates currently in effect for these types of property.

Q. Will Vectren South-Gas defer any portion of the depreciation on the Programs?

A. Yes. Vectren South-Gas proposes to defer depreciation on components of the Programs from their in-service dates until the point when the component of the Program is included for recovery in the DRA. The depreciation expense would be charged to Account 403, Depreciation Expense, with a corresponding credit to Account 108, Accumulated Provision for Depreciation of Gas Utility Plant. Concurrently, the deferral of depreciation would be recorded as a charge to Account 182.3, Other Regulatory Assets, and a credit to Account 407.4, Regulatory Credits. The amortization of that regulatory asset will be included in the determination of the annual revenue requirement as part of the calculation of the annual DRA. The example of the calculation of the DRA annual Revenue Requirement is detailed on Petitioner's Exhibit SEA-9, pages 11 and 12.

Q. Will any maintenance expense savings relating to the Programs be deferred?

A. Yes. Vectren South-Gas proposes to account for maintenance expense savings based on the predefined formula as described by Vectren South-Gas Witness Albertson, following the placement of a segment of the Program in-service. Actual maintenance expense savings will be charged to the appropriate FERC primary accounts. Concurrently, a deferral of maintenance expense savings would be recorded by a charge to Account 407.4, Regulatory Credits, and a corresponding credit to Account 182.3, Other Regulatory Assets. This deferral will occur until the maintenance expense savings for each Program segment receives its initial corresponding ratemaking treatment through the proposed DRA.

Q. Are there assets currently in utility plant in service that are being retired as part of the Programs?

A. Yes. As Vectren South-Gas Witness Francis indicates in his direct testimony, the existing bare steel and cast iron mains will be retired as a necessary part of the Programs. Vectren South-Gas discontinued use of bare steel and cast iron for mains in the 1960's; therefore any retirements represent fully depreciated plant in service.

Q. How do you propose to account for those retirements?

A. In accordance with the USOA, the retirement of utility assets are to be charged to the related depreciation reserve. Consistent with that practice, I am proposing that any retirements of existing plant that are made necessary by the implementation of the Programs be charged against the associated depreciation reserve(s).

Q. Please describe the pro forma filing schedules to be included in the annual DRA filings which calculate the Revenue Requirement to be recovered through the DRA.

A. As referenced previously, Petitioner's Exhibit No. SEA-9, page 10, details the calculation of AFUDC. Petitioner's Exhibit No. SEA-9, page 11, details the accumulated actual costs of the Program. Petitioner's Exhibit No. SEA-9, page 12, details the annual revenue requirement calculation that results in the DRA. As can be seen on the example calculation included in Vectren South-Gas Witness Albertson's exhibits, the calculation is a typical revenue requirement calculation in that it starts with "rate base," or accumulated construction costs net of accumulated depreciation, multiplied by an overall rate of return. That required return is then grossed up for income taxes on the return. To that is added the dollar for dollar revenue requirement for property taxes, depreciation (current year and the amortization of any deferred depreciation over the original life), net of the calculated maintenance savings to arrive at the total annual revenue requirement.

Q. Does this conclude your supplemental testimony?

A. Yes, it does.